Weekend FT

Inside Section II
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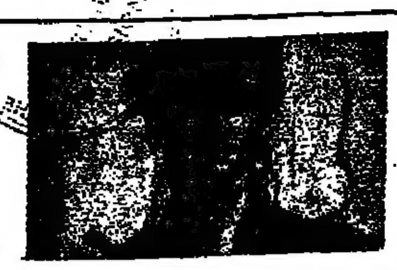
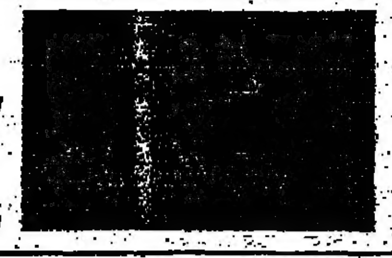
How Forbes cashed in on his hit-list
Christopher Winans explains how Malcolm Forbes (left) unmasked America's wealthiest individuals *Page I*



Art collecting
A two-page guide to the art fairs of New York and the auction houses of Europe *Pages X-XI*

Blood Money
Christian Tyler on the British haemophiliacs who caught AIDS *Page VIII*



Spreading the net
Why the football authorities want to move the goalposts *Page XVIII*

In love with his work
Pierre Cardin tells Lucia van der Post that his only love is his trade *Page XVI*

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,270 Weekend October 6/October 7 1990 D 8523A

BUSINESS SUMMARY

Bush seeks to reverse budget vote

US federal government agencies were last night preparing for a temporary shutdown as President George Bush pressed Congress to reverse its rejection of the crucial budget agreement.

The White House said Mr Bush would refuse to sign legislation needed to finance government operations beyond midnight last night until a new budget resolution was approved. Page 24

POLLY PECK International was given until next Friday by its bankers to solve the severe liquidity crisis threatening its future. Page 24

NATIONAL POWER, largest UK electricity company, plans to burn almost 10 per cent of the country's domestic and commercial waste to generate power. Page 24

JAPAN's current account surplus in August fell to $942m (£495m), 72.6 per cent lower than in August of 1989, mainly because of a widening deficit on invisible items. Page 3

HEWLETT-PACKARD, US electronics and computer manufacturer, reorganised operations in moves aimed at streamlining management. Page 12

TRANS WORLD AIRLINES is to dismiss 450 to 500 management and clerical personnel in an effort to defray high fuel costs. Page 12

DOW CHEMICAL, US pharmaceutical company, said its Houston-based subsidiary, Destec Energy, was withdrawing an initial public offering, citing poor market conditions.

WORLD NEWS

Soviet N-plant may reopen

The threat of an energy crisis is forcing the Soviet authorities to consider reopening an Armenian nuclear power station closed earlier this year because of earthquake fears. Deputy Soviet energy minister Yevgeny Petryaev warned of critical electricity shortages this winter. Page 2

Iraq asks for names
Baghdad has asked British companies in Iraq to list male employees aged over 55, raising hopes that more foreigners may be allowed to leave. Iraq's hopes, Page 2

Romanian seeks asylum
Romanian embassy official Constantin Dobre has asked for political asylum in Britain.

IRA documents seized
Northern Ireland police raided 65 offices and homes in a crackdown on racketeering which raises IRA funds.

Philippine rebels quit
Government aircraft attacked Philippine rebels on the island of Mindanao, forcing them to abandon the city of Butuan, Manila said. Page 3

Jill Bennett dies
Actress Jill Bennett, former wife of playwright John Osborne, died aged 59.

Share prices used to calculate the FT-Actuaries Indices and shown in the London Share Service were taken at the normal close of 16:30. Some foreign exchange rates on the Currencies Page were also taken before the ERM announcement. Later rates appear in the markets table below. FT Actuaries, Page 11; London Shares, Pages 22 and 23; Currencies, Page 13.

■ Major cuts one point off bank base rates ■ Full EMS entry at DM2.95 in wider fluctuation band of 6%

Britain to join ERM on Monday

By Peter Norman, Economics Correspondent

MR JOHN MAJOR, the UK chancellor, yesterday announced full British membership of the European Monetary System and a one percentage point cut in bank base rates from Monday.

The move marks a new chapter in Britain's membership of the European Community. It has enabled the government to recapture the political initiative and offers some relief to industry and home-owners after a year in which bank base rates have stayed unchanged at 15 per cent.

Mr Major said the government proposed to take sterling into the EMS exchange rate mechanism at a central rate of around DM2.95 within the wider fluctuation band of six per cent.

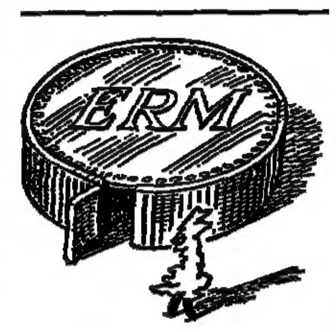
The surprise announcement, made at 4pm yesterday, triggered a euphoric surge in financial markets with sterling, British government bonds and equities shooting upwards.

The government's decision that the time was at last ripe to take the pound into the EMS exchange rate mechanism, some 11½ years after it began operating, was welcomed by Britain's EC partners.

In Britain, broad support for the move from the business community was tempered by some concern over whether the UK would be able stay internationally competitive with its exchange rate pegged to the strong D-mark. Many analysts in the City construed ERM entry at this time as a primarily political move that could not be justified in view of the wide gulf between Britain's economic performance and that of its European partners.

None-the-less, the government's decision to go into the ERM is a major political event. It was taken earlier this week after final consultations between the chancellor and Mrs Thatcher and marks final recognition by the government that Britain cannot go it alone in combatting inflation.

Mrs Thatcher, speaking on the steps of Number 10 Downing Street said: "The real thing that made this decision possible was the uncontestable signs that the economy is working in the way we intended it to in reducing inflationary pressures."



INSIDE

■ Market reaction
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■ Barry Riley on the mortgage rate
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■ 'Conflict and intrigue'
Page 9

The prime minister's final acceptance that the pound must be pegged to the other European currencies is a major "U turn" on an issue that, among other things, caused the resignation last year of Mr Nigel Lawson as chancellor.

Yesterday, such considerations weighed little with government supporters in parliament, who were buoyed by the news that base rates would be falling on the eve of next week's Conservative Party conference in Bournemouth.

Mr Major announced that the Bank of England would set a minimum lending rate of 14 per cent on Monday. This unusual move – it was the first time since January 1985 that it had resorted to such a direct setting of interest rates – was dictated by the late hour of the decision.

The statement was followed by announcements from major British banks that they would cut their base rates to 14 per cent from 15 per cent and promises of lower mortgage rate from leading building societies.

Mr Major said the cut in interest rates was justified by the slow down in the economy. "It has become increasingly clear that the government's sustained policies of high interest rates and firm budgetary control are now reducing inflationary pressures in the economy," he said.

He pointed out that monetary growth had fallen very sharply, with M0, the narrow measure of money supply targeted by the Treasury, now within its planned 1 per cent to 5 per cent annual growth range. Although higher oil prices would continue to feed through into inflation, "the prospect is for a substantial reduction in inflation over the coming year both in absolute terms and in relation to inflation in other European countries", he said.

Mr Major said that the decision to join the ERM was to reinforce the government's framework of monetary discipline. "A tight monetary policy and a firm exchange rate remain essential to bring inflation down."

The plan to enter the ERM with 6 per cent margins around DM2.95 as a central rate will put Britain on a par with Spain, the only other EMS member state to use the wider bands. According to the Treasury, the pound's movement against the D-mark will be confined in future between a low point of DM2.8788 and a high of DM3.1300.

Mr Major's said that Britain was choosing the 6 per cent fluctuation margin "initially". Treasury officials indicated yesterday that the pound would move into the narrower 2.25 per cent fluctuation margin used by the other ERM currencies after a relatively short time.

Mr Robin Leigh-Pemberton, the governor of the Bank of England, said that the long term benefits of ERM membership were "potentially very great". The prospect of greater exchange rate stability should mean that business could plan and invest with greater certainty.

However, the governor also warned businessmen that membership of the ERM will make it harder for them to pass on high wage costs in higher output prices. "Companies can now have no excuse for expecting a lower exchange rate to validate any failure to control costs," he said.

He made clear that ERM membership would be no easy option. "Defeating inflation can never be painless." The Bank of England was determined "to continue to pursue an appropriately restrictive monetary stance" with the pound in the ERM.

The terms proposed by the Government for ERM entry will be discussed by the EC Monetary Committee today. This brings together senior treasury and central bank officials from the EC member states and the commission. If they are approved as expected, the details of the pound's central rates and intervention margins against other EC currencies will be released in time for the opening of financial markets on Monday.

At a pavement press conference in Downing Street yesterday, Mrs Thatcher said the move was made possible by 'signs that the economy is working in the way we intended'

Mortgage interest rates start to fall

By David Barchard

MORTGAGE interest rates, at record levels since March, yesterday looked set to fall for the first time in 2½ years, heralding an end to the most depressed UK housing market ever.

Nationwide Anglia, the UK's second largest building society, said it was cutting its rates to new borrowers by 0.9 percentage points, with immediate effect, from 15.4 per cent to 14.5 per cent. The new rate will apply to the society's existing borrowers from November 1.

The Halifax, the largest UK mortgage lender, quickly followed with an announcement that its standard mortgage rate, at present 15.4 per cent, will be cut from November 1. Banks and other building societies appeared likely to follow.

Nationwide Anglia's move took the markets by surprise. It appeared aimed at forcing Halifax, to follow suit. In the past Halifax has led the building society industry in interest rate movements.

Mr Jim Birrell, chief executive of Halifax said the society would watch the markets before making a decision on the size of the cut.

About 1.2m of Halifax's 1.8m mortgage customers will no longer face a planned rise from 14.5 per cent to 15.4 per cent.

Mr Peter White, Deputy Chief Executive of Alliance and Leicester, the third largest building society in Britain, said: "The cut will put some confidence back in the housing market. There could be a sharp upturn."

Household Mortgage Corporation said yesterday that it expected to announce a one percentage point cut from November 1.

Barclays, the largest of the UK clearing banks, said it would definitely be cutting its mortgage interest rate.

National Westminster, Lloyds, Midland, and TSB said it was too early to make a judgment.

Ministers hope to cut Labour's lead

By Philip Stephens, Political Editor

MINISTERS yesterday voiced hopes that sterling's entry into the EMS exchange rate mechanism would transform the government's electoral prospects and pave the way for a general election in the autumn of 1991.

The decision, just days before the Conservative Party conference opens in Bournemouth, won plaudits from colleagues for Mr John Major, the Chancellor.

The accompanying cut in interest rates brought forecasts that it could mark the beginning of a sustained recovery of the government's standing in the opinion polls.

The timing of the move eclipsed what had been generally seen as a successful Blackpool conference this week for Mr Neil Kinnock, the Labour Party leader. Labour produced an impressive display of confidence and moderation but the impact with the electorate may be offset by the prospect of lower mortgage rates.

Last night Mr Kinnock applauded the decision to join the ERM and to cut interest rates but said they were "the actions of a cornered government".

The government's announcement confirmed finally that Mrs Margaret Thatcher had dropped her once-implacable opposition to the EMS in response to warnings from Mr Major and his colleagues that staying out would jeopardise seriously her prospects of victory at the next election.

That in turn marked the end of five years of internal conflict over the issue which resulted last year in the resignation of Mr Nigel Lawson as Chancellor and the demotion of Sir Geoffrey Howe from the Foreign Office. Mr Lawson yesterday welcomed the move, saying: "I warmly welcome this historic decision which I have long advocated. While ERM membership is no panacea, it provides the essential missing link in the government's economic policy and will prove of increasing benefit to the British economy in the months and years ahead."

Continued on Page 24

Newsflash sends markets soaring

By Rachel Johnson in London and Martin Dickson in New York

STERLING, equities and gilts soared within minutes of the Treasury's announcement that the UK was simultaneously to join the exchange rate mechanism of the European Monetary System and cut base rates by 1 percentage point.

London's markets were convulsed with activity seconds after the news flashed across trading screens. The announcement ended months of Friday market speculation that sterling's entry into the ERM was imminent, caught traders unawares and sparked an atmosphere of euphoric relief across trading floors.

The market gloom caused by Iraq's invasion of Kuwait, rising oil prices and signs of imminent recession lifted at the prospect of lower base rates and stability for sterling from the start of trading on Monday. Traders were last night preparing to deal around the clock with colleagues in the Far East.

In London, the pound immediately soared as investors bought the currency in expectation that it would rise quickly within the ERM.

Having opened at DM2.93 – below its central rate of around DM2.95 – the pound burst through DM3 to close eight pfennigs higher in London at DM3.0125. It carried on climbing in New York trading.

The Bank of England's unveiling of the minimum lending rate at 14 per cent prompted falls in money rates. Three-month sterling was steady at about 14⅞ per cent before the announcement but immediately fell to 14-13¾ per cent. The cut also caused turmoil in the equity market, where traders were unable to supply demand for shares as prices jumped. Trading had to be extended for an hour to cope with near-panic buying orders.

The FT-SE 100 share index reversed a sharp fall to close up 73.5 at 2143.9, recouping a third of the losses it has suffered since the invasion of

Continued on Page 24

MARKETS

STERLING
New York lunchtime:
$1.9465
London:
$1.9480 (1.9115)
DM3.0125 (2.9300)
FFr10.095 (9.8250)
SFr2.510 (2.4400)
Y257.75 (255.75)
£ index 94.1 (93.7)

GOLD
New York: Comex Dec
$398.0
London:
$394.25 (397.0)

N SEA OIL (Argus)
Brent 15-day
$(36.40)

Chief price changes yesterday: Page 24

DOLLAR
New York lunchtime:
DM1.5485
FFr5.1870
SFr1.2930
Y132.75
London:
DM1.5470 (1.5335)
FFr5.1825 (5.1400)
SFr1.2880 (1.2765)
Y132.30 (133.85)
$ index 61.4 (61.7)
Tokyo close: Y133.72

US LUNCHTIME RATES
Fed Funds 8⅛%
3-mo Treasury Bills: yield: 7.245%
Long Bond: 99⅝
yield: 8.778%

STOCK INDICES
FT-SE 100:
2,143.9 (+73.5)
FT Ordinary:
1,655.6 (+54.3)
FT-A All-Share:
1,026.04 (+3.0%)
New York lunchtime:
DJ Ind. Av.
2,516.07 (+1.24)
S&P Comp
312.86 (+0.19)
Tokyo: Nikkei
22,827.65 (+549.46)

LONDON MONEY
3-month interbank:
close 14-13¾%
(14$\frac{31}{32}$-14⅞)
Liffe long gilt future:
Dec 85$\frac{31}{32}$ (83$\frac{13}{32}$)

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Energy crisis may force Armenia N-plant to reopen

By Quentin Peel in Moscow

THE Soviet authorities are contemplating reopening a nuclear power station in Armenia, closed at the start of the year because of earthquake fears, in view of the growing energy crisis in the country.

Mr Yevgeny Petryaev, the deputy energy minister, said there could be critical electricity shortages this winter, thanks to a virtual standstill in nuclear power station construction contracts following public hostility in the wake of the Chernobyl disaster, together with energy waste because of cheap power prices and erratic supplies of coal and oil.

At the same time, Russian power station workers are fleeing outlying Soviet republics, such as Moldova (formerly Moldavia) and Central Asia, because of rising nationalist tension, leaving the stations acutely short of staff, he said.

The desperate plight of the industry was revealed as an important co-operation agreement was signed between the Soviet Ministry of Energy and Nuclear Industries and the French Commission for Atomic Energy, to cover nuclear safety, public information on the industry, and research and development, including new generation nuclear power stations.

Mr Philippe Rouvillois, director-general of the Commission, admitted that Soviet nuclear development was at a virtual standstill because of the popular anti-nuclear backlash.

Mr Petryaev said four new atomic stations had not come on stream as planned in 1990, and the old power stations had been forced to reduce their output to ensure their safety.

He said the Armenian station, which supplied 12 per cent of the energy to the three trans-Caucasian republics, might be reopened by the decree of President Mikhail Gorbachev to relieve the region's critical shortages.

"Failure of our hopes on atomic power engineering influences the entire industry," he told Izvestia, the government newspaper.

The situation was critical throughout the Caucasus, where the Rostov station was closed down in addition to the Armenian one.

Inter-ethnic tension was also wreaking havoc. "In Moldova the situation is even worse," he said. "The nationalists claim that we should live as our ancestors – without electric light.

"Russians who usually work in power engineering are forced to leave. The main power stations in Central Asia are also left without specialists. All the staff from the Dushanbe power station had to leave for the Volga plant. Thus the single power system is breaking up."

Given the extent of public concern over nuclear energy in the Soviet Union, the most detailed aspect of the French co-operation agreement is on nuclear safety, as well as on ways of informing the public about safety conditions and public health.

This year's Soviet grain harvest, plagued by labour and transport shortages for months, may reach record levels, official figures showed yesterday, Reuter reports from Moscow.

A report in the farming daily Selskaya Zhizn said the harvest had topped 1989's total production of 211m tonnes. By October 1, 211.5m tonnes had been harvested, 27.7m tonnes more than by the same date last year.

The government has predicted a grain harvest of 260m tonnes, well up from the previous record of 237m in 1978. The International Wheat Council last week forecast 225m tonnes, while the US Agriculture Department has put it at 230m.

Soviet stock exchange delayed

By Leyla Boulton in Moscow

THE Soviet Union is likely to set up its long-awaited stock exchange only next year – which should give authorities plenty of time to find a home for Russia's first Wall Street in 70 years.

Mr Stanislav Assekritov, deputy head of the Soviet government's economic reform commission, said yesterday that a plan to introduce a stock market as early as November was unrealistic.

He and other Soviet officials said, however, that a Moscow seminar co-sponsored by the New York Stock Exchange would be an important step in preparing for a stock market in a country where "speculators" are still outlawed.

Mr John Phelan, the NYSE chairman and chief executive, will be heading a delegation of 20 prominent Wall Street businessmen to Moscow for an unprecedented seminar beginning on Monday.

Mr Richard Torrenzano, an NYSE vice-president, said: "The NYSE delegation seeks to provide our Soviet hosts with a greater understanding of the evolution, structure and function of our financial markets.

"In that way we hope to assist the people of the Soviet Union in creating the kind of capital-raising process that's right for them."

The Soviet government has already enacted legislation allowing state-owned enterprises to turn themselves into joint-stock companies and sell shares to the public.

State giants such as Kamaz, the truck maker, plan to sell shares to foreign and Soviet enterprises, but are waiting for a stock exchange so they can offer shares to the man on the street.

Mr Assekritov said that the need for appropriate legislation, sophisticated technology and trained staff – "only about 10 people in the Soviet Union know how stock markets work" – meant that an exchange could not become reality before sometime next year.

Both Soviet authorities and the NYSE expect to sign some kind of formal agreement next week to further Soviet preparations for the stock exchange.

Pravda's editor pressed to resign

By Leyla Boulton in Moscow

MR Ivan Frolov, the editor-in-chief of Pravda and a close ally of President Mikhail Gorbachev, is under pressure to quit from colleagues because of the newspaper's falling circulation.

Interfax news agency said yesterday that speakers at a meeting of the newspaper's Communist party cell expressed no confidence in Mr Frolov and blamed him for "the crisis" at the Communist party daily.

One of Mr Frolov's colleagues confirmed there had been calls for his resignation at a two-day meeting earlier this week. But he denied Interfax's claim that the issue would be put to a plenum of the Communist party's all-powerful central committee on Monday.

Without giving details, the colleague said Mr Frolov might, however, present his plans to boost the paper's popularity at the plenum. As the "official organ" of the central committee, Pravda was compulsory reading for officials across the country before Mr Gorbachev began his reforms.

Although it is now far more lively and honest in its coverage of Soviet life than in the reviled "stagnation" period, the newspaper is increasingly overshadowed by bolder rivals, such as the Communist youth newspaper Komsomolskaya Pravda, and the government daily Izvestia.

The drop in subscriptions, for which exact figures are not yet available, is also due to the steady decline in the Communist party's own fortunes.

Mr Frolov said in a recent interview that he wanted to turn Pravda into a world class newspaper. He said his reform proposals involved co-operation with leading western publications and less interference from the party.

Iraqis say they hope to avoid military conflict in Gulf

IRAQ yesterday remained adamant in its refusal to entertain any withdrawal from Kuwait. But at the same time Iraqi officials emphasised they hoped a military conflict could be avoided, writes Robert Graham in London.

This appeared to be the formal message conveyed to a senior envoy of Soviet President Mikhail Gorbachev when he met Iraqi President Saddam Hussein in Baghdad yesterday. It was the second high-level meeting between the two sides since Iraq's August 2 invasion of Kuwait.

This suggests that the Iraqi leader is still playing for time and weighing his options. The Iraqis are reported to believe they still have at least two weeks before the US-led forces ranged against them in Saudi Arabia and the Gulf are ready to consider any offensive.

At the United Nations in New York, western diplomats speculated that one reason behind the repeated delays in a speech from the Iraqi delegate to the General Assembly stemmed from difficulties in finding the right kind of language.

A French Foreign Legion soldier in Yanbu, Saudi Arabia, holds the regiment's flag in his weapon

The speech, scheduled to be delivered by Mr Abdul Amir Al-Anbari on Thursday after several delays, was again postponed when the envoy reportedly suffered a nose-bleed.

According to a copy of the speech obtained by Reuters, Iraq is only prepared to negotiate along the lines of a formula proposed by Mr Saddam on August 12. He sought then to link resolution of the Iraqi annexation of Kuwait with tackling all the issues of the Middle East equally, including those of Palestine, Lebanon and the Gulf.

The tone of the Iraqi speech is uncompromising. It is reported to say: "America and its western allies are seeking, through this military, political and disinformation campaign, to gain control over the oil wells and to impose imperialist political, economic and military hegemony over the world, and over Third World countries in particular."

In Baghdad yesterday Mr Yevgeny Primakov, a member of Mr Gorbachev's presidential council, met Mr Saddam and handed him a letter from the Soviet leader.

Before flying to Baghdad from Amman, Mr Primakov reiterated Moscow's desire for a diplomatic solution.

His visit followed one to Moscow by Iraqi foreign minister Tareq Aziz last month, the latter's sole trip outside the region since the crisis began.

President François Mitterrand of France meanwhile wound up a 36-hour visit to the Gulf after making clear his government continued to rely upon the UN to resolve the crisis and that sanctions had to be given time to work.

Socialists by any other name

By John Wyles in Rome

AS THE Italian Communist Party's struggle to change its identity moves close to its 12th month without a new name emerging, Mr Bettino Craxi has jolted his entire Socialist Party by changing its name in less time than it takes to receive a telephone message.

Mr Fabbio Fabbri, the Socialist group leader in the Senate, was called away to the telephone on Thursday morning during an executive meeting of what was then the Partito Socialista Italiano. He returned a few minutes later to find himself a prominent figure in the Unita Socialista-PSI.

Embarrassing though it may be for the Communists, Mr Craxi's characteristic *coup de théâtre* is not meant to be a serious object lesson in name changing.

He knows that the rebaptism of his party does not resemble the trauma for many old-time communists of renouncing their political identity.

The choice of name – Unita Socialista – usefully preempts the Communists from including the word "socialist" in their new name, which is supposed to be announced next week.

It also makes it clear that Mr Craxi's party is ready to welcome all socialists who find the Communist change of identity unconvincing, disappointing or, as seems increasingly to be the case, no real change of identity at all.

Mr Craxi's move is also a calculated response to the growing public aversion to Italy's traditional political parties as manifested by the growth of regional groups.

Bundestag sets rules for all-German election

THE German Bundestag, back in Bonn with 144 new members from the former East Germany, yesterday passed a law re-establishing its full sovereignty and a new election law to regulate the all-German elections on December 2, writes David Goodhart in Bonn.

The election law was required after the constitutional court upheld a complaint from the Greens and the PDS (former East German Communists) against extending to the whole of Germany the rule requiring a party to get 5 per cent of votes cast before it can enter parliament.

Under the new law, which will be valid only for the first all-German election, there will be two separate 5 per cent zones – the former East Germany and the former West Germany. The most significant effect of the new rule will be to ensure that the PDS, almost certain to get over the 5 per cent hurdle in East Germany, will be represented in the all-German parliament.

The boost to the PDS will be a further blow to the Social Democrats, who would probably have received most PDS votes if the latter stood no chance of representation.

The new sovereignty law was agreed almost unanimously, but a few members of the Christian Democrat/Christian Social Union group voted against refusing to recognise the new border with Poland.

● Industrial orders in West Germany rose 5 per cent in August over July.

OECD tries to boost Uruguay Round talks

By Peter Montagnon, World Trade Editor

THE WORLD'S trading nations must redouble their efforts to reach a substantial package of agreements in the faltering Uruguay Round of multilateral trade negotiations, the Organisation for Economic Co-operation and Development said yesterday.

In a rare statement following a special session of its executive council, the OECD warned that the moment of truth had arrived for the round, which is due to end with a ministerial conference in Brussels in December.

"At a time when the uncertainties generated by the Gulf crisis are affecting world economic prospects, it is vital that all participants, and the OECD countries in particular, should be ready to make the requisite moves to complete the round," the statement said.

This comes amid worries that unresolved differences, in areas ranging from farm reform to trade in services, may hamper progress in the detailed technical negotiations needed to complete the round on time.

The December deadline is vital to the US if the Bush administration is to comply with the terms of the negotiating mandate it has obtained from Congress.

Trade officials said the statement was intended to serve as a signal of determination not only to the outside world, but also to the growing number of business groups within OECD countries who are trying to thwart progress by lobbying against liberalising agreements in particular sectors, such as shipping.

"What are incorrectly termed 'negotiating concessions' are in fact steps forward to a stronger and more prosperous world economy," the statement said.

The executive council meeting, which grouped top economic officials from all the OECD's 24 member countries, agreed that a substantial package meeting the concerns of both industrial and developing countries was needed by December if the round was to close successfully, the officials said.

● Reuter adds: The EC yesterday presented to a Uruguay Round working group in Geneva a proposal to let governments limit the number of foreign films and television programmes shown in their countries, delegates said.

NEWS IN BRIEF

Yugoslav army clamp on wayward Slovenia

THE Yugoslav army yesterday occupied Slovenia's territorial defence headquarters in a show of force aimed at halting the republic's moves toward independence, writes Laura Silber in Belgrade. Sixteen military police seized control of the defence HQ in Ljubljana, the republic's capital, in the middle of the night.

The western republic is at loggerheads with the Yugoslav People's Army (YPA) over Slovene moves to take control of territorial defence units. The YPA refuses to relinquish its authority over territorial defence, which is a widespread network of civilian defence.

Bangemann warning to Efta

The six-nation European Free Trade Association (Efta), hoping to plug into the huge European Community market, must give up its demand for a share in EC decision-making, an EC official said yesterday, Reuter reports from Geneva.

Mr Martin Bangemann, vice-president of the EC Commission, said: "The principle is that non-members cannot participate in the legal procedure (of the EC)," he told a news conference after addressing a bankers' meeting. Efta members Switzerland, Norway, Sweden, Austria, Finland and Iceland have been negotiating since June to join the EC in the so-called European Economic Area.

Kaifu pledges aid to Turkey

Mr Toshiki Kaifu, Japan's prime minister, pledged $300m in emergency aid to Turkey as the last slice of Tokyo's package for frontline states hit by the economic blockade of Iraq, Reuter reports from Ankara.

The pledge came in Mr Kaifu's talks with Mr Yildrim Akbulut, the Turkish prime minister. Mr Kaifu arrived in Ankara on the third leg of his five-nation Middle East tour. Japan also extended $500m to Turkey in the form of untied trade insurance outside the framework of the emergency aid. Trade insurance, used to indirectly support Turkish firms, is not part of Japan's official development assistance or government aid. Mr Kaifu will meet Turkish President Turgut Ozal later in the day.

Afghan rebels capture key town

The Afghan government acknowledged yesterday that mujahideen rebels had captured the provincial capital of Tarin Kot in central Afghanistan, Reuter reports from Kabul. Military experts said this was the first time rebels had wrested control of a provincial town or city from the Government since the Soviet troop withdrawal from Afghanistan in February, 1989.

Soweto curfew is lifted

The South African Government yesterday announced it was lifting a night curfew in Soweto, the country's largest black township, saying faction fighting and crime there had declined sharply, writes Patti Waldmeir in Johannesburg. The violence, which has killed nearly 800 people since mid-August, is to be discussed at a meeting between Mr Nelson Mandela, ANC deputy president, and President F.W. de Klerk.

Faroe Islands coalition falls

The Faroe Islands' coalition government has collapsed after a row over economic policy, triggering elections on November 17, writes Our Copenhagen Correspondent. The collapse followed protracted negotiations in which the leftist Republicans refused to support plans for extra public expenditure backed by the right-wing Peoples' party of Prime Minister Jogvan Sundstein and by the Unionist Party. The political crisis in the north Atlantic islands coincides with serious economic problems, including a large foreign debt and a declining fishing industry.

Budget defeat stuns Bush and congressional leaders

Peter Riddell looks at the House of Representatives' rejection of the $500bn deficit-cutting package

PRESIDENT George Bush and congressional leaders always knew it would be difficult to win approval for the $500bn (£266bn), five-year deficit-cutting package which they had laboured for five months to produce. But no one had expected the scale of the rejection by the House of Representatives – by 254 votes to 179 – early yesterday morning.

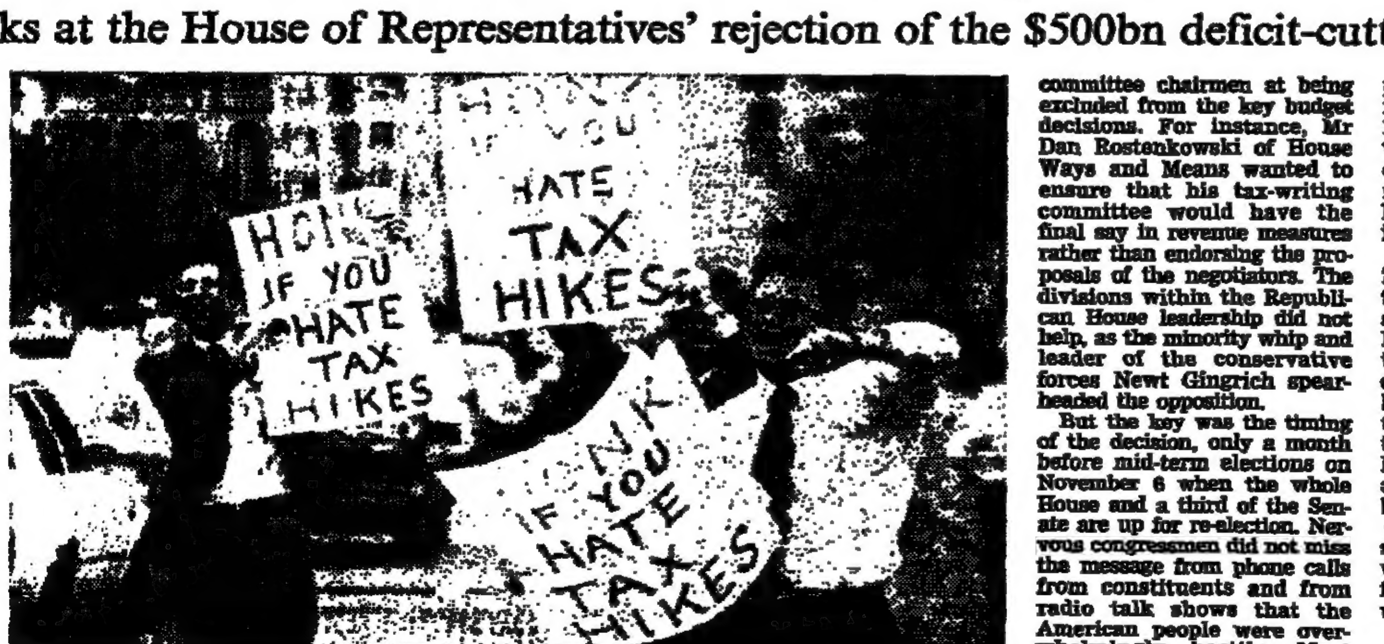
It is a stunning political defeat for both the president and congressional leaders, and raises questions about the ability of the American political system to deliver when faced with unpalatable choices.

The immediate result is a period of political and financial uncertainty lasting for a few days and possibly for a few weeks. Faced with a deadline of midnight last night when temporary authority to finance the US government was due to run out, Democratic leaders were yesterday scrambling around for a stop-gap measure to gain a further week's grace to develop a new budget.

Assembling a new budget will be difficult. Yesterday morning's defeat reflected objections to fundamental tax and spending planks, not minor details. There are no obvious alternatives.

Whatever is cobbled together, the vote is very damaging for Mr Bush – particularly so when he is in the middle of a foreign policy crisis which could make or break his presidency. It also dents the reputation for political skill of such senior advisers as Mr Richard Darman, the budget director, and Mr John Sununu, White House chief of staff.

Mr Bush played all his political cards. He dropped his "no new taxes" pledge, abandoned his long-sought desire for a cut in capital gains tax, personally lobbied from dawn to midnight this week, and mobilised the three living Republican ex-presidents on his behalf – Reagan, Ford and even Nixon.



Washington demonstrators hold up signs protesting against any tax increases

He also made a rare nationally televised address on Tuesday evening to appeal to the American people to lobby their congressmen to back the deal, warning that otherwise they would be courting disaster. Voters did contact their representatives on Capitol Hill, but overwhelmingly to protest against, rather than to support, the package.

The episode is a reminder of how shallow Mr Bush's near-record approval ratings in the opinion polls are. He may be widely liked as a person, and his foreign policy record enjoys general support. But this does not carry over into the domestic arena. Unlike President Reagan in the first half of the 1980s, Mr Bush does not command the authority to lead Congress. Indeed, he only won the backing of 71 of 176 members of his own Republican Party in the House.

The immediate response of the White House yesterday was to express "disappointment" and to talk of consultations. Yet Mr Bush recognises the need to keep up pressure on Congress. He cannot back down on his overall strategy if he is to retain political credibility. He has to show he is still committed to the deficit-cutting package, however much components are rearranged.

The defeat is no less significant for the congressional leadership, faced by a revolt of a majority of their rank-and-file members in both parties.

In retrospect, it is easy to see why the opposition was underestimated. The compromise contained elements which maximised criticism rather than support. For instance, the $134bn in new taxes over five years infuriated the vocal group of tax-cutting conservative Republicans in the House. On the other side, the proposed $60bn cutbacks in Medicare health provision for the elderly, the increases in indirect taxes on alcohol, gasoline/petrol and tobacco and the limited size of savings on the defence budget annoyed liberal Democrats.

In general, Democrats felt that a disproportionate burden was being borne by the "middle class," ordinary Americans, while the $25bn in new tax reliefs for business might create new tax shelters for the better-off.

Approval of the package was also made more difficult by resentment among influential committee chairmen at being excluded from the key budget decisions. For instance, Mr Dan Rostenkowski of House Ways and Means wanted to ensure that his tax-writing committee would have the final say in revenue measures rather than endorsing the proposals of the negotiators. The divisions within the Republican House leadership did not help, as the minority whip and leader of the conservative forces Newt Gingrich spearheaded the opposition.

But the key was the timing of the decision, only a month before mid-term elections on November 6 when the whole House and a third of the Senate are up for re-election. Nervous congressmen did not miss the message from phone calls from constituents and from radio talk shows that the American people were overwhelmingly hostile. Most defending incumbents and challengers of either party in close Senate races quickly came out against the deal.

The jitteriness of House members is, on the face of it, strange. At the 1988 election 98 per cent of incumbents were re-elected. Next month not only do 78 House members (out of 405 seeking re-election) face no major party opposition, and are in effect being returned unopposed, but a further 304 are in races where the challenger has raised less than half the amount in contributions the incumbent has (according to Common Cause, a "good government" group).

More significant, however, is the continuing influence in the US political system of the attitudes of the Reagan era – that budget deficits do not really matter and can carry on at a high level without any cost, and that all tax increases are wrong. Mr Bush played his part in perpetuating this mood in his "feel good" campaign of 1988. His shift to warning this week about the deficit as "a cancer gnawing away at our nation's health" has come too late in the day to be convincing.

For most Americans the immediate pain – marginal though it is – of paying slightly more for beer or gasoline is more real and specific than the vague warnings of the damage of a continuing large budget deficit. No one was listening to the warning earlier this week by Mr Nicholas Brady, the treasury secretary, about the sharp drop in foreign buying of US government debt – "We're on notice in a gentle, sloping way that the rest of the world is no longer going to fund the deficits that we come up with each year."

Employment in US falls

US payroll employment fell last month, breaking a rising trend of nearly four years, while unemployment rose by 0.1 points to 5.7 per cent, writes Anthony Harris in Washington.

Non-farm employment fell by 59,000, excluding temporary census employees, after rising 45,000 in August, compared with financial market forecasts of a rise of 57,000.

This unexpectedly weak picture largely offset the impact of the budget deadlock in the bond markets. Initial falls were limited to about a quarter of a point.

However, other recent news – notably high car sales – has suggested some rebound in the economy, and the civilian employment figures, which are based on a small sample survey of households, also suggest a somewhat stronger picture, with a rise of 240,000.

The payroll figures, based on returns from employers, are generally regarded as more accurate, though they have been heavily revised in recent months.

They show that manufacturing employment fell 66,000 in September, mainly in durable goods, bringing the decline since January 1989 to 520,000.

Construction employment fell by 20,000, a drop which is expected to accelerate as existing projects are completed.

In services, which have provided most of the employment growth of the last two years, employment fell 17,000 in September.

Total unemployment rose by 101,000, the biggest jump since 104,000 in June 1986.

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INTERNATIONAL NEWS

Manila claims Mindanao rebels close to surrender

By Greg Hutchinson in Manila

A Filipino businessman protests against the army rebellion

THE Philippines government yesterday insisted it was close to putting down the Mindanao rebellion after sending the air-force to attack a rebel army camp.

Mr Juanito Rimando, an army spokesman, said the uprising "cannot last long" as loyal soldiers prepared to attack a second army camp on the island of Mindanao.

The rebels have flown the red, blue and green flag of a Mindanao secessionist movement after seizing the camps on Thursday.

Two Philippine air force aircraft made 11 strikes at the army brigade headquarters in Butuan, one of two cities taken by rebel soldiers on Thursday.

One rebel soldier was seriously wounded. Casualties were kept low because the 300 rebels abandoned the camp and fled to the city as the aircraft approached.

Armed Forces chief Gen Renato De Villa, meanwhile, warned civilians to leave the infantry headquarters in Cagayan de Oro, the second and much larger city taken by the rebels. About 600 rebels and their leader, Mr Alexander Noble, the charismatic six-foot former deputy of President Corazon Aquino's élite palace guard, are believed to be in the camp, Camp Evangelita.

Gen De Villa told a press conference late yesterday: "Our orders are to retake the camp and capture all of them. We have warned all the civilians who do want want to be involved in this fight if there is one . . . to get out of the way."

He said the rebellion was the work mainly of Mr Gregorio "Gringo" Honasan's Reform the Armed Forces Movement (RAM) which spearheaded last December's coup attempt. It was at the forefront of the 1986 revolt that drove Ferdinand Marcos from power.

Unwilling to take a backseat role, the members of RAM and its more leftist cousin, the Young Officers' Movement, believe they have the right "to set the revolution straight." The rebels' plan was to spark various pocket rebellions in Mindanao and other main islands and force President Cory Aquino to resign.

The country's 150,000 troops were on combat alert and the armed forces chief reported that camps throughout the country were calm, but said some troops in Iligan, 80km west of Cagayan de Oro, had gone over to the rebels.

Diplomats said it was too early to say whether the Government could rest easy, in spite of official statements insisting that the insurrection would soon be put down.

Japan's current account surplus falls

JAPAN's current account surplus in August tumbled to $942m, 72.6 per cent lower than August 1989, mainly because of a widening deficit on tourism and other invisible items, writes Ian Rodger in Tokyo.

The trade surplus dropped 16 per cent to $4.1bn, as imports grew 7.2 per cent to $17.8bn while exports rose only 2.1 per cent to $21.9bn.

The deficit on invisible trade jumped to $2.9bn from $1.15bn in the same period a year ago.

● South Korea posted a trade surplus of $39m in September, compared with a deficit of $306m in August, AP reports from Seoul.

The big increase was attributed to advanced shipments by exporters of goods in September to make up for a week-long holiday this month.

Tokyo chip row

The Japanese electronics industry yesterday pledged to oppose US companies' demands for a new semiconductor trade pact to replace the current agreement when it runs out next summer, reports Stefan Wagstyl in Tokyo.

The US industry is seeking greater foreign access to the Japanese microchip market.

Yesterday Mr Akio Tanii, chairman of the Electronic Industries Association of Japan, said the existing agreement had achieved good results.

Foreign aid move

The Japanese Government suggested yesterday that the country's foreign aid programme, the world's largest, could be made more political by linking donations to developing countries' progress in democratisation, reports Robert Thompson in Tokyo.

Until now, Japan has claimed that aid has been non-political.

Labor hopes high

The Australian Labor Party yesterday predicted it would increase its grip on regional government after the conservative Country Liberal Party government called an election for October 27 in the Northern Territory, Kevin Brown reports from Sydney.

Malaysia poll date

Malaysia's Election Commission yesterday set the country's eighth general election for October 20 and 21, Reuter reports from Kuala Lumpur.

HK bridge finance plan dropped

By John Elliott in Hong Kong

HONG KONG has abandoned plans to raise international private finance to build a HK$6bn-HK$7bn (£400m-£480m) road and rail bridge because the economic and political risks involved – including interference by China – have made it too expensive.

Instead the Government is to use some of its HK$70bn reserves to finance the project, which must be completed by 1997 to serve a new international airport being built adjacent to Lantau island.

Hong Kong's hands have been partly forced because China, which resumes sovereignty over Hong Kong in 1997, has refused so far to approve the airport project. This has made international financial institutions unwilling to commit themselves in advance.

A team of officials from Peking arrives in Hong Kong on October 15, hoping for an opportunity to influence decisions. But this has been pre-empted by the Government's decision to go ahead with public sector finance.

Sir David Ford, Hong Kong's chief secretary, denied yesterday that China's visit was being pre-empted. However he stressed that "in the final analysis," the airport and bridge were matters "for Hong Kong to decide."

The main economic risk involved, which has worried potential financiers, is uncertainty about traffic flows to projected port developments on Lantau which, the Government says, would provide 40 to 50 per cent of the bridge's traffic.

The bridge forms part of airport and port development plans budgeted a year ago at HK$127bn. It involves 5.5km of crossings including the world's longest road and rail bridge with a central suspension span of 1,377m.

MAN IN THE NEWS: RAYMOND MACSHARRY

Loner fighting EC farmers' battles

By Kieran Cooke and Tim Dickson

MR Ray MacSharry was in a typical, no nonsense mood. The chin was out, the dark eyes unwavering. "I make no apologies for fighting for the interests of the European farmer. We have solid ground. We must stick to it."

The audience, almost all Irish farmers, loved it. "Mac" was not going to be pushed around on this one. He wouldn't be making any compromises.

Rhetoric of this sort may pack them in in Dublin but it has won few friends for Mr MacSharry in Washington, and has ruffled feathers even in Brussels. The EC's agriculture commissioner is the man at the eye of a gathering storm over world trade policy, and in particular how far to cut the massive subsidies paid by Brussels to Europe's 9m farmers.

To the US – which is pushing for really swingeing cuts in agricultural support in the closing stages of the Gatt trade talks – the tough-talking Irish Commissioner has been the bogeyman in negotiations. They say his stubborn defence of the EC's Common Agricultural Policy (CAP) is jeopardising a four-year multinational effort to liberalise world trade.

In turn, Mr MacSharry has accused Washington of intimidation and threats, and fiercely rejects the allegation of intransigence. He says he is fighting for the future of all Europe's farmers and that his offer of a 30 per cent cut in support – finally endorsed by the European Commission in Brussels this week – is a substantial sacrifice.

Relishing his role, he appears unperturbed by the political controversy he has caused in recent days by intervening in the affairs of Goodman International, the troubled Irish company that is Europe's biggest meat processor and exporter. "I do not care who describes me as tough or stubborn or what pressure I come under," is a typical reply from the man from County Sligo.

Those west of Ireland roots are essential to an understanding of a man who has not moved easily in the dense corridors of Brussels bureaucracy.

After leaving school at 14 he reared chickens, worked in an abattoir, became a livestock auctioneer, organised ballad singing contests, and made a fairly disastrous foray into the haulage business.

Sligo is still central to Mr MacSharry's life. Until he went to Brussels he had represented the area in the Dail, the Irish parliament, for nearly 20 years and such is his popularity there that when he became deputy prime minister in 1982 the locals lit celebratory bonfires. Political opponents, however, accuse the MacSharry clan of running a personal fief.

In some ways Mr MacSharry is typical of Fianna Fail – the dominant political party in Ireland since independence. He keeps in very close contact with his constituency and has made it quite clear that in spite of his recent change of direction there is a political life in Dublin after Brussels. Many see him as a prime minister in waiting.

At the same time, though, he does not fit into the traditional "arm around the shoulder" mould of Irish politics. Loyalty is central to Mr MacSharry's code but he has few close political friends. He is not known as a particularly social animal – he wears a Pioneer's pin in his lapel, an Irish sign of a life's abstinence from alcohol.

He has always shown little patience for the compromises and "strokes" of Irish politics. He became known as "Mac the Knife" for his tough cost-cutting measures as minister of finance from 1987 to the end of 1988 and even opponents would admit that his uncompromising stand saved the Irish economy from a serious debt crisis.

In Brussels it is an altogether different story. Mr MacSharry's at times abrasive style has served him well in the rough and tumble of routine EC farm price talks, where until recently he appeared to have succeeded in keeping the EC's once again burgeoning farm spending under control.

But the General Agreement on Tariffs and Trade negotiations have cast him as the lead actor on a much bigger international stage, calling into question his capacity for dealing with broader issues.

Some colleagues worry that Mr MacSharry, who is specifically in charge of the farm portfolio in the Gatt, lacks the necessary vision and subtlety at this crucial final stage in the talks.

Inevitably, comparisons are made between Mr MacSharry and Mr Peter Sutherland, Ireland's previous commissioner in Brussels. After a distinctly hesitant start, Mr Sutherland quickly learned the finer arts of Brussels, carefully cultivating contacts and alliances among his fellow commissioners.

No one doubts Mr MacSharry's capacity for hard work, but he appears to have little taste for the Brussels social circuit. He is quite happy to be seen lunching on his own in one of the Irish pubs which have recently sprung up around the Commission's Berlaymont headquarters.

It is Mr MacSharry's fate to be holding the agricultural portfolio at a time of increasingly open divisions in EC ranks. In the last few months Brussels has been reeling from a strident and well-aimed US attack on the CAP – an onslaught which the Commission as a whole has been ill-equipped to repulse.

There is no doubt that Washington has won the earlier rounds. But the MacSharry counterattack is in train. A successful Gatt deal – even if it involved a little more pain for the farmers – would confound the Brussels critics and smooth his path back into the Irish political mainstream. The Irish don't like losers.

Failure could consign him to the political backwoods and an ignominious place in Brussels history. It would confirm the view of those who have always said that allowing agricultural negotiations to be handled by an Irishman – with all the domestic political pressure that would involve – was a recipe for trouble.

UK NEWS

Service with a sting in the tail

Richard Tomkins ends his review of BR services on a mixed note

THE service at Birmingham New Street station's ticket office is beyond reproach as I buy a first-class single to Cardiff. There is no queue, and the booking clerk is cheerful and efficient.

Down on Platform 12, the noon train is waiting. Consisting of three cars, it looks rather small, but no matter: I board, and start looking for the first-class accommodation.

It is a fruitless search. No wonder the booking clerk was grinning: he has sold me a first-class ticket for a train with no first-class seats.

We leave on time and the guard comes round to punch my ticket. I express my admiration for the fiddle and ask how often BR works it on the 12.00 to Cardiff.

"Ah, they'll have thought you were going to catch the InterCity," he declares.

"What InterCity? There isn't one."

"Well, you have to change at Bristol. There's one at 12.31."

"There isn't. Look, I've got the timetable here. There's one at 12.15, but it doesn't connect at Bristol. You can't do it by InterCity till at least 2.30."

"Well, you'll be wanting a form, then. But I gave the last one away this morning. You'll have to see them in Cardiff."

We are 12 minutes late into Cardiff because a connecting train was late at Worcester. While picking up a refund claim form from BR's information desk, I cannot resist asking why the lunchtime train from Birmingham to Cardiff is one of only two each day that does not serve food. (The other is at supper-time).

"The food trolleys are all private these days," says the BR clerk. "It's up to the contractors which trains they put them on."

I reply that if state control means being able to eat lunch at lunchtime, perhaps there is something to be said for it after all. The clerk gives me the sort of look you might use to placate a serial killer, and edges towards another customer.

Cardiff is not a city I know. On this fleeting acquaintance, two of its most striking aspects are the excitement generated by the Cardiff Bay development and the air of melancholy that drifts down from the valleys to the north.

The 2,700-acre Cardiff Bay scheme is one of Europe's biggest urban regeneration projects and should provide 30,000 jobs during the next few years. The valleys, meanwhile, are the home of appalling unemployment caused by the closure of the coal mines around which their communities were built.

Local authorities want to bring the jobs to the jobless. To do that, they need good transport links; but the roads are already congested, and the narrow confines of the valleys do not leave much room for motorways. So instead they have been developing the once neglected railways that reach up from Cardiff – the so-called valley lines.

The results are impressive. In partnership with BR, the local authorities have reopened stations, cut fares, introduced park-and-ride schemes, increased train frequencies, and even reopened the line to Aberdare.

Now, however, the strategy is in jeopardy. The lines do not, for the most part, make money, so at a time when BR's subsidies are being heavily cut back, the lines' financial performance is under close scrutiny.

No one is talking about closure: but the fear is that further expansion of the services will be halted and the progress thrown into reverse. Some services have already been cut.

Mr Ian Cleland, BR's area manager in Cardiff, says that sort of talk is much too gloomy. Look at the record, he says. "They have got a far better service now than they had five years ago when the PSO [the Public Service Obligation – the government's annual subsidy to BR] was twice as big."

On the train to Aberdare, I put that argument to Mr Darien Goodwin of Mid-Glamorgan County Council's public transport section. He demurs. Five years ago, he says, there were enormous productivity gains to be had from BR. That is not so now: instead, the choice is between cutting services or raising fares.

Well, why not put the fares up? A weekly season ticket for the 30-mile journey between Aberdare to Cardiff looks cheap at £15.20. On Network SouthEast, a weekly season for the 30-mile journey between East Grinstead and Victoria costs £35.30.

That would defeat the point, Mr Goodwin says. In most cities, the less well-off people live in the inner urban areas. Here, they are 30 miles away from the jobs; and people earning £100 or £120 a week cannot afford £35.30 for a season ticket. Across the gangway, a Welshman has been straining to join our conversation. Suddenly, the dam bursts.

"Budgets, budgets, budgets," he says. "Unfortunately, that is the name of the game these days. It's not like that in France, is it? Do you know, I am the secretary of the church and they sent me away on a course for three days. Why? To learn about budgets. That is the way it is in this country these days."

Well, he has a point. Whatever the ultimate goals of a policy aimed at reducing BR's subsidy to the minimum, the working of a socio-economic miracle in the valleys of South Wales does not appear to rank highly among them.

My week on BR ended with the 11.25am InterCity train from Cardiff to London Paddington. At least, it would have done had the train not been cancelled. The fiasco – and the ensuing misery for passengers – was described at the opening of this series on Monday.

It was with a sense of relief that I disembarked from a later train at Paddington.

This brief and purely personal experience of BR has given the impression of an organisation stretched beyond the limits, dogged sometimes by poor management, at other times by a demoralised workforce, and at all times by financial pressures that inhibited its ability to deliver the service its customers expected.

As I walked towards the Underground at Paddington, my reflections were interrupted by the ghastly realisation that I had left my new and absurdly expensive mackintosh on the train.

Turning, I spotted a young woman hurrying along the platform with it folded over her arm.

I was about to make a citizen's arrest when I realised that she was not only wearing a train attendant's uniform, but was heading directly for me. "Your coat, sir," she said. "You left it on the train."

How extraordinary, I thought. Service with a smile. There was hope for BR after all.

This is the last in a series of articles which have appeared in the FT on October 1,2,4 and 5.

Valley lifeline: but commuter services from Cardiff's Queen Street Station are at risk

Brooke in talks with Unionists

By Our Belfast Correspondent

MR Peter Brooke, the Northern Ireland secretary, met Unionist leaders yesterday as his efforts to initiate inter-party talks on the province's political future reached a crucial stage.

The meeting with Mr James Molyneaux, the Ulster Unionist leader, and the Rev Ian Paisley, the Democratic Unionist leader, was the first since the summer break. It followed a week of speculation that Mr Brooke's initiative was running into difficulty.

A statement by Mr Seamus Mallon, deputy leader of the nationalist Social Democratic and Labour Party, that Mr Brooke should tear up the various party documents and start afresh has been attacked by all the province's other constitutional parties.

Mr Paisley and Mr Molyneaux were underlining to Mr Brooke their view that a government commitment to considering an alternative to the Anglo-Irish Agreement, coupled with suspension of Anglo-Irish Conference meetings and the Belfast Secretariat, formed the basis for Unionist involvement in formal inter-party negotiations.

The key issue surrounds the timing of the Irish government's involvement in talks. Dublin ministers want to participate from the start while Unionists maintain there must first be progress on discussions about internal arrangements for governing Northern Ireland.

Mr Brooke had intended to make a Commons statement before the summer recess but postponed the plan.

● Security forces mounted raids yesterday on dozens of homes and offices in west Belfast connected with Sinn Fein, the IRA's political wing, the organisation said.

Sinn Fein claimed more than 40 homes and offices connected with its organisation were raided, in an operation thought to have been carried out by the special C13 anti-racketeering squad set up to investigate the funding of terrorist groups.

Police gave no details.

Doubts raised over broadcast bias rules

By Raymond Snoddy

PROPOSED government rules on impartiality in broadcasting were yesterday condemned as unworkable and posing serious risks of vexatious litigation by the body that will have to implement them.

The Shadow Independent Television Commission, the body that, as the ITC, will replace the Independent Broadcasting Authority next year, says in a briefing document for peers that the government amendments on the new code go further than previously indicated. They "appear to have effects which may not have been appreciated or intended and raise serious doubts about its workability in practice", it says.

The commission says an unworkable code will bring the law into disrepute, and says it is unfair to ask the ITC to administer it.

The latest amendments will require due impartiality to be defined in terms of "individual issues". The paper says: "It would appear to require that news events on a particular day, involving, say, the prime minister or leader of the opposition, would have to be balanced by comments on the same issue from the opposing party."

The government had made clear that it did not believe that impartiality could be reduced to any rigid mechanical formula. However, the ITC says the words in the clause "could expose it and its licensees to serious risk of prior restraint through injunctions or subsequent judicial review".

The commission fears that a further clause referring to the "prominence" given to balancing items could be interpreted "as meaning that specific percentages of time be given to differing points of view".

The organisation doubts whether a code could give detailed practical guidance in advance on the prominence to be given to differing points of view in any particular series.

The ITC yesterday called for both the requirements on "prominence" and "individual issues" to be dropped.

The issue comes up in the report stage of the Broadcasting Bill in the House of Lords next week.

ITV attacks BBC over studio use

By Raymond Snoddy

THE main ITV companies are considering making a complaint to the Office of Fair Trading because the BBC is preventing independent producers that make programmes for the corporation from using ITV studios and facilities.

Mr Leslie Hill, managing director of Central Independent Television, the second-largest ITV company, has written a final appeal to Mr Michael Checkland, the BBC director-general, asking him to drop the policy.

Central, which says it has specific examples of the BBC practice, has the support of London Weekend Television.

The issue is important because the government insists that 25 per cent of most programmes, apart from news and news-related current affairs, on all of Britain's television channels, should be farmed out to independent producers.

The BBC said last night it believed that "it is not within the spirit of the independent production initiative if BBC commissions are simply switched to ITV studios."

Fewer new laws for next session

By Ralph Atkins

A LIGHTWEIGHT programme of legislation has been drawn up by the government for the session of Parliament that begins next month. It will nevertheless include at least two transport bills and a criminal justice bill.

Proposals to be presented in the Queen's speech on November 7, discussed by the full Cabinet this week, have been trimmed to provide for the possibility of an early general election. Government business managers favour a change of pace after the heavy legislative programmes of recent years.

The Cabinet committee QL (Queen's speech legislation), chaired by Sir Geoffrey Howe, deputy prime minister, has compiled a list of proposed legislation that is much shorter than last year's.

The session is expected, however, to include a strong emphasis on privatisation - almost certainly including a bill from the Department of Transport that will allow roads to be built by private-sector companies.

That, and a second transport bill, may also incorporate many of the legislative proposals outlined during the past 18 months by Mr Cecil Parkinson, transport secretary. The proposals include reforming road traffic laws to co-ordinate road works by the utilities.

A bill to allow more "red routes" to ease city traffic flow, after a pilot scheme in London, is possible.

The criminal justice bill is expected to seek a more coherent framework for sentencing by courts and for encouraging the wider selection of alternatives to prison. It may include measures to make parents more responsible in law for crimes committed by their children.

A bill is expected from the Department of Trade and Industry to pave the way for the privatisation of the insurance services group of the Export Credits Guarantee Department. There will also be a finance bill to implement next year's Budget proposals.

Mr Chris Patten, environment secretary, is expected to use the next session of Parliament to update town and country planning laws. The Northern Ireland Office is expected to declare legislation to replace the 1978 and 1987 Emergency Provisions Acts.

UK NEWS

BT may change name as part of image overhaul

By Charles Leadbeater, Industrial Editor

BRITISH TELECOM is close to finalising plans to overhaul its corporate image, which might include changing the company's name.

The plans would mark a sharp break with its past as a publicly owned concern and would be the most ambitious attempt yet by a leading British company to redesign its image.

The proposals form part of a wide-ranging programme instituted by Mr Iain Vallance, BT's chairman, to give the company a more commercial and international approach.

The revamped image is due to be announced on April 1, to coincide with a restructuring at BT, dubbed Operation Sovereign, which was set in train earlier this year. Under the restructuring, most of the company's activities will be reorganised into two customer-oriented divisions.

Consultants were appointed a year ago to advise BT on how to improve its image through a range of methods from the design of its livery and logos to its name.

The team in charge of the new look is due to make its proposals to BT's senior executives and managers by the end of this year.

Part of the team's brief has been to consider whether BT should change its name to limit its associations with the UK and allow it to highlight its international aspirations.

BT has said that a sale of all or part of the government's remaining 48.7 per cent stake in the company would help it to enter foreign markets and bid for public contracts abroad.

However, government officials yesterday dismissed suggestions that it had drawn up plans for a sale next September of its remaining 48.7 per cent stake in British Telecom.

The Treasury did not deny that a sale of the stake was under consideration but said *suggestions of the autumn date* were "pure speculation". Leading city privatisation advisers also threw doubt on the claims.

Normally, secondary sales of government shareholdings in privatised companies have been announced only eight weeks before the planned date of the sale.

However, the sale of the remaining stake in BT would be controversial because of its value – about £7bn at the current share price – and because Labour is committed to renationalising the company by buying enough shares to give the state a 51 per cent holding.

Car makers stand firm in face of Peugeot job cuts

John Griffiths on how growing exports are helping the motor industry at a time of falling sales at home

PEUGEOT Talbot's decision to cut output and axe 350 jobs in the UK came against the background of falling UK car sales and no expectation in the industry of any immediate improvement.

Yet, improbably for an industry that has spent much of the period since the Second World War in decline, falling demand in the UK is being offset by a gathering export drive.

The French company's UK subsidiary blamed high interest rates, economic uncertainties and the Gulf crisis for a drop of nearly 10 per cent in its UK sales and its decision to cut output from 2,600 cars a week to 2,400 at its Ryton plant in Coventry.

Its announcement on Thursday came against the background of a drop of just over 11 per cent in total UK car sales in the first nine months of this year.

The consensus elsewhere in the industry is that domestic conditions alone are unlikely to prompt other manufacturers to take similar action. Such moves would more probably be prompted by events outside the UK - notably if a Gulf war were to drive down car markets across Europe because of disrupted oil supplies and rising fuel costs.

Peugeot Talbot's main rivals and independent motor industry students believe the industry is better prepared now than a decade ago to respond to a changing domestic market.

Ford UK said yesterday: "There is absolutely no indication of cutbacks in the wings, no matter what others might say."

Together with a fundamental change in the tactics with which manufacturers are responding to fluctuations in UK demand, the prospect is of a much less serious effect on levels of UK production than would have been the case a decade ago.

Peugeot, which now exports 70 per cent of its Ryton production, is itself believed not to expect to make any further significant cutbacks. This week's announcement must be viewed against a tripled workforce in the past three years as Peugeot's output reached the 100,000-car-a-year mark.

Even though a senior engineering union official suggested that Peugeot's action would prove "only the tip of the iceberg" the UK's other "big three" – Ford, Rover and Vauxhall – insist that little or no job or output cuts are in prospect as a direct result of the UK market downturn.

Mr Stephen Reitman, analyst with stockbrokers Phillips & Drew, agrees. "I think it's a short-term action and does not mark any significant decline."

So does Professor Garel Rhys, the Society of Motor Manufacturers and Traders professor of motor industry economics at Cardiff Business School.

He said: "Since the start of the 1980s there has been a great weather change in the way the UK motor industry reacts to a major market downturn," he said. "The old practice was to cut supplies and try and keep prices up. But because the market fell so sharply in the last oil crisis, they learned they could no longer do that when there was so much fierce *competition*."

The alternative approach, of discounting and other incentives, which first peaked in the "car wars" of the mid 1980s, are now perceived as the preferred approach. "Manufacturers are now ready to cut profits to keep cars selling, in order to keep their production lines busy," Prof Rhys points out.

Ford, for one, has made clear that that strategy, at least in the short term, is preferable to lay-offs and short-term production cuts. According to Mr Derek Barron, Ford UK's chairman, the latter are far more disruptive in an era of "just-in-time" manufacturing.

After many years in which Peugeot and Vauxhall made heavy losses, Prof Rhys suggests that a virtual catastrophe would have to take place for their new-found profitability to be put seriously at risk.

The relative optimism of the manufacturers on the production front shows in the fact that output in the first nine months of the year has fallen by less than UK sales. At 743,841 at the end of the third quarter, it was some 8.5 per cent down on last year.

However, the figures also do not reflect the fact that while Peugeot's exports have remained relatively static on a year-on-year basis, Vauxhall has only just started an export programme to the Continent.

Vauxhall's sales are also only 6.5 per cent down so far this year – compared with the market drop of more than 11 per cent. In spite of the UK downturn, the company *emphasised* yesterday that it was still committed to increasing output of the Vauxhall Cavalier/Opel Vectra at its Luton plant to 45 cars an hour, from 40, by the end of this year.

Its Ellesmere Port plant, which produces the Vauxhall Astra/Opel Kadett, has been working at its capacity of 35 cars an hour for the past two years, and there is no prospect of cuts.

Rover, now third in the UK marketplace, has made substantial production cuts at its Cowley plants, which produce the Rover 800, Montego and Maestro, this year. However, analysts suggest that the cuts are related more to the competitive position of the models than market conditions themselves. Rover's Longbridge plant, which produces the new Rover 200/400 range and the Metro, is working to full capacity on a multi-shift basis.

Its exports are up by around 20 per cent and, after the launch of the Discovery four-wheel-drive model, the Land Rover subsidiary is enjoying record production.

At Ford, Dagenham's once troubled, 12,000-strong workforce is producing 1,125 Fiestas a day and has recently been *praised* by Mr Barron for its much improved quality and productivity. Before the end of the year it should also be benefiting from a plant to export Fiestas to the Continent.

Halewood, Ford's other UK car plant, which employs 8,500 people, including transmission assembly, is still in the process of building up production of the new Escort/Orion models. They went on sale last month.

Geoffrey Whalen, chairman of Peugeot Talbot, at the Ryton plant, Coventry

Tenants reject government opt-out housing trust plan

By Alan Pike, Social Affairs Correspondent

THE GOVERNMENT'S hopes of launching its Housing Action Trust (Hat) policy suffered a serious setback yesterday when tenants on two south London estates voted in favour of remaining under local authority control.

Hats are intended to revive run-down inner-city estates by taking them away from predominantly Labour-controlled councils and establishing trusts to renovate them.

Ministers were forced by Parliament to allow tenants to vote on whether their homes should become Hats and so far all attempts to launch the policy *have failed*.

The ballot at Southwark, south London, conducted over the past month by the Electoral Reform Society, produced a strong vote against the proposal. Tenants on the Gloucester Grove estate voted 595-220 against, and the neighbouring North Peckham estate rejected the plan 569-276.

Ms Sally Keeble, leader of Labour-controlled Southwark Council, said the results must prove "the last nail in the coffin for the government's Hat plans."

Royal Life agent on £69,000 charge

MR Bob Kissane, an insurance salesman for Royal Life, appeared before magistrates in Winchester yesterday charged with the theft of a total of £69,000 from three Winchester couples between August 1989 and August 1990, writes Richard Lapper.

Mr Kissane, who was arrested on Thursday, was remanded in custody pending further police inquiries.

Separately, Royal Life is making its own investigations into the theft charges. It sent questionnaires to 800 of its customers yesterday and has interviewed 300 clients.

The company said it would pay compensation for losses suffered by Mr Kissane's clients on any properly enforced life assurance policies. The case for compensation is less clear in cases where clients entered into private arrangements with Mr Kissane.

Under existing regulations, which are enforced by the Life Assurance and Unit Trust Regulatory Organisation (Lautro), a life company is liable for losses arising from the sale by tied agents, appointed or company representatives of its own products.

Last month Lautro published a consultative paper calling for sweeping reforms in the regulatory arrangements. It suggested that life companies' responsibilities should be broadened to include sales of a wider range of investment products, but with stricter monitoring of agents and appointed representatives.

Continent wins bulk of Amerada oil deals

By Steven Butler

CONTINENTAL European construction yards have won the bulk of about £150m worth of fabrication contracts awarded by Amerada Hess, the US oil company, for its Scott field in the North Sea.

The awards continue a trend started earlier this year in which Continental yards have been increasingly successful in bidding for UK work.

The Scott field, 110 miles north-east of Aberdeen and with 450m barrels of oil reserves, is the largest present North Sea development project, at a total cost of £1.1bn. It is to start production at the end of 1993 and reach a peak rate of 180,000 barrels a day.

"The [UK] contractors are waking up to the idea that they are part of the larger European market," said Mr Rex Gaisford, manager of projects at Amerada Hess.

The largest contract, for the 10,000-tonne processing and drilling deck, is to be built by Bellini, the Italian construction company, at yards in Mantua and Taranto.

The deck is to be built as a single unit and installed by crane barge. Amerada said it was likely to be the largest and heaviest structure yet lifted by crane barge.

In order to speed the transfer of work from the designer, Foster Wheeler Petroleum Development, to fabrication, the contracts have been awarded before completion of detailed engineering on the basis of agreed rates for work to be accomplished. The contracts omit a precise total value.

A utilities deck weighing 8,500 tonnes is to be built by Press Offshore in collaboration with Dragados y Construcciones at Dragados's yard in Spain.

A third contract, for the drilling equipment and the derrick and substructure has gone to SLP Davy Engineering on the River Tees.

Cash call to create forest

By John Hunt, Environment Correspondent

A NATIONAL forest the size of the Isle of Wight, to be planted between Leicester and Burton upon Trent in the Midlands, has been proposed by the Countryside Commission, which advises the government on country landscapes.

The forest, the first of its kind for Britain, would comprise 30m trees and cost £3m a year to plant during 30 to 40 years. It would be encompass 150 square miles.

Sir Derek Barber, chairman of the commission, yesterday described it as "one of the most ambitious and imaginative countryside initiatives of this century or the next".

The area would blend woods, fields, towns and villages, with half the land under trees.

The aim is to provide a pleasant environment to visit. The catchment area would include 5m people within a 30-mile radius, and 20m within 80 miles.

Such a forest would absorb large amounts of carbon dioxide, the gas implicated in global warming.

The trees would be traditional broad leafed varieties, with some conifers.

The commission is approaching Mr Chris Patten, the environment secretary, for financial support.

The area, on the site of the ancient Needwood and Charnwood forests, covers parts of Leicestershire, Derbyshire, Staffordshire and Warwickshire. About 4 per cent is industrial land; 6 per cent is forested; and 78 per cent is agricultural. Landowners would be urged to plant under the woodland grant scheme.

NEWS IN BRIEF

Further fall in house building

THE number of new houses being built in Britain continues to fall, according to figures released yesterday by the Department of the Environment, writes John Authers.

They show that 6,200 fewer new dwellings were started in the three months to August than in the same period last year, a drop of 5 per cent.

Completions were more robust, increasing 8 per cent on the previous three months.

The DoE said it was not surprised by the figures, and attributed the continuing slowdown in building to high interest rates.

Renewed growth in building by housing associations was thwarted by last year's overspend by the Housing Corporation, which sets the level of grant for the associations.

The corporation, which had to bring £120m forward from this year's budget, was attacked by the Public Accounts Committee in July for causing "uncertainty, delay and extra expense". Starts made by housing associations fell 11 per cent on the previous three months.

Green belt breach

MR Chris Patten, the environment secretary, is to allow the industrial development of part of Barnsley's green belt without a public inquiry. The 14-acre site will be used by the Barnsley Chronicle to build a print works.

BAe case remands

MR Murray Stewart, 65, of Sydney, Australia, and Mr Jonathan Gould, 45, of Hove, East Sussex, who are accused of trying to steal £40m from British Aerospace in a computer fraud, were remanded in custody for a week by Bristol magistrates.

Speed device check

MR Cecil Parkinson, the Transport Secretary, yesterday announced that all coaches required to have speed limiting devices would be checked for them during annual roadworthiness tests this month.

Gulf casualty

CHERRYFOAM, a furniture foam maker, is to close with the loss of 47 jobs. The company, based in Silloth, Cumbria, said the closure was because of falling demand and the Gulf crisis, which had increased the price of raw materials by 10 per cent.

Westland to close factory

WESTLAND GROUP yesterday announced that it was closing its Milton Keynes factory, with the loss of 212 jobs, writes Paul Abrahams. The decision is the latest of a series of redundancies announced by UK defence companies after government cuts in defence spending.

Westland said the decision followed a review of its manufacturing facilities and reflected a need to reduce operating costs.

The factory specialises in hydraulic control equipment for helicopters. Most of the output of the plant is defence-related and it supplied equipment for the Tornado multi-purpose military aircraft. The government has cancelled orders for the eighth batch of those aircraft.

The company is transferring its remaining hydraulic business to its Yeovil site. It is considering relocation for its Milton Keynes employees. The company's other chief site is at Cowes on the Isle of Wight.

The company said it had approached a number of other companies in an attempt to sell the business intact. It had also tried for some time to avoid closing the plant by operating at a loss.

FT-ACTUARIES SHARE INDICES - QUARTERLY VALUATION

The market capitalisation of the groups and sub-sections of the FT-Actuaries Indices as at September 28 1990, are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the preceding quarter and 1989 year end.

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)		Market capitalisation as at Sept.28,1990 (£m.)	% of all share index	Market capitalisation as at Jun.29,1990 (£m.)	% of all share index	Market capitalisation as at Dec.29,1989 (£m.)	% of all share index
1	CAPITAL GOODS GROUP	(190)	57,651.0	15.17	78,518.8	17.02	80,881.0	17.21
2	Building materials	(26)	10,734.8	2.82	14,297.2	3.10	14,043.0	2.99
3	Contracting, Construction	(34)	4,694.4	1.24	6,842.4	1.48	6,975.2	1.48
4	Electricals	(10)	2,567.1	0.68	3,489.4	0.76	3,653.5	0.78
5	Electronics	(26)	9,350.8	2.46	13,058.6	2.83	14,109.7	3.00
6	Engineering-Aerospace	(8)	4,425.5	1.16	5,166.2	1.12	5,241.0	1.11
7	Engineering-General	(47)	6,141.4	1.62	8,226.9	1.78	7,935.5	1.69
8	Metals and Metal Forming	(7)	3,373.9	0.89	4,296.6	0.93	4,125.3	0.88
9	Motors	(13)	3,086.7	0.81	4,316.6	0.94	4,775.5	1.02
10	Other Industrial Materials	(23)	13,276.4	3.49	18,824.9	4.08	20,022.3	4.26
21	CONSUMER GROUP	(177)	123,854.1	32.59	145,142.0	31.46	144,801.2	30.80
22	Brewers and Distillers	(22)	23,381.9	6.15	27,370.3	5.93	25,629.2	5.45
25	Food Manufacturing	(18)	17,381.8	4.57	20,269.3	4.39	20,936.4	4.45
26	Food Retailing	(17)	14,799.1	3.89	16,552.2	3.99	14,764.2	3.14
27	Health and Household Products	(16)	28,139.2	7.41	31,694.6	6.87	33,027.4	7.03
29	Leisure	(32)	10,403.2	2.74	14,294.1	3.10	15,586.3	3.32
31	Packaging and Paper	(12)	2,542.1	0.67	3,272.7	0.71	2,396.3	0.51
32	Publishing and Printing	(15)	6,678.4	1.76	8,627.2	1.87	9,079.3	1.93
34	Stores	(33)	18,821.1	4.95	20,946.9	4.54	19,706.6	4.19
35	Textiles	(12)	1,707.3	0.45	2,114.7	0.46	3,675.5	0.78
40	OTHER GROUPS	(108)	82,395.1	21.69	102,727.4	22.26	99,257.2	21.11
41	Agencies	(16)	5,173.0	1.36	8,172.1	1.77	7,253.9	1.54
42	Chemicals	(20)	12,694.1	3.34	16,947.0	3.67	14,644.9	3.12
43	Conglomerates	(16)	15,132.1	3.98	20,363.1	4.41	17,134.3	3.65
44	Transport	(14)	8,009.4	2.11	10,571.4	2.29	10,307.8	2.19
46	Telephone Networks	(3)	22,261.7	5.86	24,326.5	5.27	24,588.4	5.23
47	Water	(10)	6,405.0	1.69	6,490.1	1.41	6,511.7	1.38
48	Miscellaneous	(25)	12,719.8	3.35	15,857.2	3.44	18,796.2	4.00
49	INDUSTRIAL GROUP	(479)	263,900.2	69.45	326,388.2	70.74	324,939.4	69.12
51	Oil and Gas	(21)	51,596.4	13.58	51,157.3	11.08	53,912.9	11.46
59	500 SHARE INDEX		315,496.6	83.03	377,545.5	81.82	378,852.3	80.58
61	FINANCIAL GROUP	(103)	51,620.4	13.58	66,332.8	14.38	72,527.3	15.43
62	Banks	(9)	19,912.8	5.24	25,296.3	5.48	26,787.9	5.70
65	Insurance (Life)	(7)	7,291.6	1.92	8,789.9	1.91	8,440.4	1.80
66	Insurance (Composite)	(6)	9,075.8	2.39	12,020.9	2.61	12,881.1	2.74
67	Insurance Brokers	(8)	1,635.8	0.43	2,130.1	0.46	2,230.2	0.47
68	Merchant Banks	(7)	1,894.9	0.50	2,534.1	0.55	3,811.3	0.82
69	Property	(45)	9,163.4	2.41	11,883.9	2.58	13,986.7	2.98
70	Other Financial	(21)	2,646.1	0.69	3,677.6	0.79	4,389.7	0.93
71	Investment Trusts	(66)	10,539.6	2.77	14,544.0	3.15	15,496.3	3.30
91	Overseas Traders	(5)	2,337.7	0.62	2,987.4	0.65	3,250.0	0.69
99	ALL-SHARE INDEX	(674)	379,994.3	100.0	461,409.7	100.0	470,125.9	100.0

UK NEWS – THE LABOUR PARTY AT BLACKPOOL

Cunningham in rallying call for the next election

LABOUR'S next period of office would see improvements in education which matched the achievement of Attlee's 1945 Government in establishing the National Health Service, Mr John Cunningham, the party's campaign co-ordinator, forecast yesterday.

Delegates enthusiastically applauded his confident assertion that Labour was "on course" for a general election victory, and Mr Larry Whitty, the general secretary, claimed that "a truly great conference" had laid the foundations for a decade of Labour government.

Mr Cunningham maintained that Labour was now a different party to that which had sustained three successive general election defeats, and attributed the change to the "drive" of Mr Neil Kinnock, the Labour leader, and new policies and management.

He said Labour had set a new agenda for the 1990s with, at its head, the economy and industry, curbing inflation and investing for prosperity and the future of the country's children. Promising a new positive approach to Europe, Mr Cunningham said: "We are ready to help the peoples and businesses of Britain get on with the task by doing what our competitors do to encourage improved performance in their own countries."

He stressed that improved performance was the only sure basis for increased provision.

Reports by
Ivo Dawnay
John Mason
Alison Smith
Emma Tucker
Pictures by
Alan Harper

Warning against complacency, Mr Cunningham told delegates: "We are well down the road to forming the next government but we must not take it for granted. We cannot and we must not let up." The government was discredited and incompetent and he described Mrs Margaret Thatcher as "an isolated and out of touch Prime Minister".

Mr Cunningham acknowledged that the general election might not take place until 1992 but insisted that whatever the date Labour would be ready "not just to win but to govern".

In an attack on the "extraordinary" record of failure of the Thatcher administrations he cited the disclosure by the Financial Times that Mr Nigel Lawson, the former chancellor, now recognised having made wrong decisions about financial de-regulation, the sterling exchange rate after the 1986 oil price collapse, and interest rates after the 1987 stock market crash.

Delegates sing in unison to powerful tune

Ivo Dawnay looks back on a finely choreographed week that saw little real rancour

FOR all the meticulous packaging, bite-sized broadcasting opportunities and behind the scenes spin-doctoring, it took Barbara Castle – to put real fire in the bellies of the Labour faithful yesterday.

Glamorous as ever on the eve of her 80th birthday today, the Red Baroness lifted the close of conference not by "Looking to the Future" but invoking Labour's glorious past.

It was curiously appropriate. Throughout what all concede has been a remarkably smoothly-managed week, the relentless messages of change from the new model Labour party were aimed firmly at the evening news broadcasts. Lady Castle instead tapped the vast reserves of *schmaltzy* sentiment that lies close below the surface of each of Mr Kinnock's footsoldiers.

So cockily confident were Labour's leaders yesterday that several made clear references to the hitherto unmentionable disasters of the not-so-distant past.

Mr Larry Whitty, the party general secretary, went so far as to jokingly question the integrity of his predecessors who had often been called to declare a week's factional blood-letting a triumphant success. "It has been a happy conference and by and large we have put aside the bitterness and division that dogged this party in the past," he said with a lack of hyperbole that underlined the party's new confidence.

By and large, he was right about the lack of real rancour. Apart from the defence cuts debate and the occasional clash between the leadership and the ragged remnants of the old left, delegates spent most of the week in a curiously quiescent mood. If nothing else it revealed a genuine hunger for power.

Yet while all were conscious of the need for telegenic unity, there was none the less a hint of nostalgia for the old beery belligerence of the good-old, bad-old days. Indeed, after a long evening's socialising even some shadow ministers could take their minds off the spoils of office for just long enough to admit a hint of boredom had set in since their plushly-tailored posteriors had sat down so heavily on the adolescent tendency.

As Mr Roy Jones, a veteran Morning Star journalist, wryly put it in the traditional address to conference from the press: "I had thought of bringing up politics, but then somebody said, 'What's the point of raising that at this late stage of the week?'"

Few of the delegates battling the blustery gales along the prom, would deny that Mrs Thatcher had changed their world and their attitudes. Well-dressed speakers would often preface their remarks at the rostrum with earnest declarations of their working class roots. Those more clearly identifiable with flat caps and whippets would begin with comments such as "Geordie – and proud of it" as if challenging their middle-class comrades to make something of it.

Throughout the week, the dark suits of the shadow cabinet gladhanded and congratulated their way round the cocktail circuit like so many double-breasted mafiosi. Fringe meetings, usually a rich seam of subversion, were largely replaced by anodyne drinks parties.

Julian Clarey, the trendy comic, regaled appreciative audiences with his curiosity at meeting so rare a breed as "socialists". And on the final night, the party discovered it was now sufficiently well turned out to win even Danny La Rue's vote. The veteran entertainer and quick change artist took time away from his end-of-the-pier season to give his own teary-eyed endorsement to Neil Kinnock's direction of the Winter Gardens show. It was all a long way away from Nye Bevan and the Jarrow crusade.

Yesterday in a final gesture, Mr Peter Mandelson – chief Svengali of Labour's public relations revolution – celebrated his departure from the communications directorship with a conference rendition of Jerusalem. Unlike the lyrics of The Red Flag that immediately preceded it, this time conference at least knew the words. As lumps grew in throats, the more observant delegates could witness the last tiny public relations miracle of Labour's finely choreographed week.

At the far left of the platform, carefully distanced from the massed choir of the national executive committee, the two old renegades Denis Skinner and Tony Benn had finally risen to their feet.

The Labour Party must go into the next election remembering the "brighter chapters" in its history, Baroness Castle (left), urged delegates yesterday.

Making the final speech to conference, the veteran Labour politician won two standing ovations for a powerful rallying call to party members. Mrs Thatcher had won some pychological victories over the Labour party but these had to be put in the past.

Labour achievements, from the setting up of the national health service to the introduction of earnings related pensions, had to be remembered. The party was not talking about its survival, it was now launching its counter-offensive, she said.

New policies for auld acquaintance: the platform party links hands to sing auld lang syne yesterday at the close of conference

SOCIALIST ORGANISER

Expulsion of left-wing group's members approved

THE LABOUR leadership's firm grip on the party machine was demonstrated further yesterday when conference voted to expel supporters of the left-wing Socialist Organiser group.

In spite of a heated debate, delegates upheld an NEC decision that Socialist Organiser was a separate organisation intent upon subverting the party.

Mr Tony Clarke, for the NEC, denied the issue was about freedom of speech with the leadership trying to silence dissent by acting against the group's newspaper. The group had its own programme, organisation and executive committee. It was a separate party and its activities were calculated entryism, he said.

The NEC was only upholding the party rules by acting against it.

Mr Danny Nicol (Hendon S), moving an emergency motion against the ban, dissociated himself from the views of Socialist Organiser but insisted it had a right to remain within the party. The Labour party had to remain a broad church and tolerate dissent, he said.

Mr Stan Newens (Co-operative Retail Services) warned against driving out idealistic and committed party members. Many paragons within the party had started out on the hard-left before becoming right-wingers, he said.

However, the emergency motion was heavily defeated by 4,759,000 votes (5,247,000-488,000).

BRIEFLY

Move into Ulster rejected

DEMANDS for the Labour Party to organise and fight parliamentary seats in Northern Ireland were overwhelmingly rejected yesterday by conference.

Mr Ted O'Brien, for the NEC, said the one unifying force in Northern Ireland was the trade union movement but this would be split if Labour membership in the province was allowed.

However, Mr Alex Davidson (Livingstone) said that denying representation to potential members in Northern Ireland was undemocratic and unjustified.

Kinnock warning

The shadow cabinet would have to toe the Labour leader's absolute line once in government, Mr Kinnock said yesterday. On Wednesday six members of the shadow cabinet defied him by voting in favour of a motion on cutting arms spending.

He said that in government collective responsibility would be absolute.

Study into PR

CONFERENCE voted to examine the possibility of introducing some form of proportional representation in elections by 2,766,000 votes to 2,557,000 – a defeat of 209,000 for the NEC.

Blasphemy vote

MR Roy Hattersley,the party's deputy leader,announced that the next Labour government would provide the opportunity for MPs to have a free vote on whether the present law on blasphemy should be repealed.

He agreed that all cultural traditions should be respected in Britain but insisted that the repeal of the law designed to protect only Christianity from blasphemy was not an issue which should be determined by the government.

Mr Hattersley made it clear he would vote in favour of repeal.

Shopping hits

MR Denis Healey's the Time of My Life and Mr Tony Benn's diaries have been the best selling books at the Labour party shop this week but most popular with delegates were the ties – plain navy, red or grey with a single red rose.

QED Recordings sold 600 to 700 tapes of speeches and debates. Mr Kinnock stole the show with Mr Gordon Brown a close second.

EMPLOYMENT

Civil Service jobs scheme criticised

By Michael Smith, Labour Correspondent

A CIVIL SERVICE scheme allowing the appointment of non-civil servants to junior managerial positions for the first time has been criticised by a union as a costly failure.

The criticism follows the disclosure that more than three quarters of successful candidates in the first year of the scheme already worked for government departments.

The scheme, introduced last year, provides for direct entry to higher executive officer grades by people from all backgrounds. Previously, only people who started as clerical or executive officers have been able to apply to become HEOs.

The scheme enables government departments to recruit through open competition among staff not already employed by them when they they do not have the candidates to fill posts internally.

In 1989/90, the first full year of operation, 77.5 per cent of the successful candidates were serving or ex-civil servants, government figures show. There were 2,192 applicants from outside the civil service. Of these 198, or 9.8 per cent, were appointed. Out of 3,174 serving or ex-civil service applicants, 690 succeeded.

Mr Eddie Reilly, assistant general secretary of the NUCPS civil service union, said therewas something seriously wrong with the internal promotions systems.

"Why were these talented executive officers not promoted internally? " said Mr Reilly. "They have been forced to leave by the front door and return by the back door, sometimes stepping over colleagues with more seniority."

The union says sufficient in-house talent exists to make the direct entry scheme unnecessary and argues that the £80,000 it estimated the Government spent promoting the scheme was therefore wasted.

The Treasury said the scheme had recruited 198 people into HEO jobs who would otherwise not have been able to become civil servants.

Howard attacks EC social policy

By Ralph Atkins

MR MICHAEL Howard, the employment secretary, yesterday criticised the European Commissioner for social affairs, saying she had brought the community into "disrepute" with her handling of EC directives on employment.

His onslaught on Mrs Vasso Papandreou was by far the most critical made by Mr Howard but follows a long-running campaign by the Government against the European Social Charter. He accused her of misusing the Treaty of Rome and said many of her directives were poorly drafted, unclear and sometimes contradictory.

Speaking to the Amber Valley Conservative Association, Mr Howard said the Government had believed from the start that the Social Charter pointed in the direction of "centralised bureaucracy, of protectionism and of slower economic and employment growth". Subsequent events had borne out its fears.

Britain would only be able to accept about a third of the commissions proposals, expected to total nearly 50, over the next two years.

The five employment directives produced by the commission this year, including one concerning the employment of pregnant women, contained "far-reaching proposals" which would have "very serious" consequences. "They would raise the cost of employment, put unnecessary burdens on employers and provide a powerful disincentive for employers to create jobs."

Mr Howard said the commission had produced "only the most superficial assessment" of the many of the effects of its proposals. He also complained about a lack of consultation by the commission.

He said the commissions haste to publish draft directives had been counter-productive. Texts of three directives on part-time and temporary work launched in June had been poorly drafted, ill-thought-out, unclear and in some cases contradictory.

"Why is the commission rushing ahead with producing these proposals before they have been properly formulated? This is frankly no way for the European community to do business."

Some directives had been put forward under inappropriate articles in the Treaty of Rome in what he said was "blatant misuses" of the treaty.

Pay group questions Commission directives

By Fiona Thompson

THE European Commission's draft directives on part-time and temporary workers and on working time do not go far enough to harmonise conditions for atypical workers or provide adequate legislation on working time, according to the Low Pay Unit pressure group.

The directives should be extended to embrace pay discrimination in all its forms, the LPU says in response to a department of employment consultative document.

They should be widened to provide equal rights across the board for temporary and part time workers, most notably including employment protection to cover other groups of atypical workers such as home workers and contract workers and to get rid of the exclusion on those working eight hours a week or less, the LPU said.

The government has canvassed some 200 UK bodies on the matter. Three of the directives would give part-time staff, people working more than eight hours a week, and temporary staff all the benefits given to full time employees on a pro rata basis. A fourth directive on working time proposes maximum shifts.

The LPU disagrees with the view expressed in the government consultative document that the directives would significantly increase the cost of part-time and temporary employment, leading to the loss of such jobs. The consultative document provides no evidence to support this assertion, it says.

Any direct costs incurred to employers by providing for the same or equitable treatment of such atypical workers "would be more than outweighed by the benefits accruing to employers through improved recruitment and retention of staff, lower staff turnover and increased productivity".

The LPU cites as examples Sweden and France, where there has been diminution of part-time work in spite of provisions relating to part-time employment being superior to the current EC draft directives.

On benefits, the LPU supports the equalisation of national insurance for part time and temporary workers. This would not necessarily mean that low paid workers would have to make financial contributions, it says. This would depend on how the government chose to implement the directive.

BA could adopt home working

By Lisa Wood, Labour Staff

AN EVALUATION is to begin shortly of a trial by British Airways of home working by staff preparing pilots' rosters in an electronic link-up with their head office.

The three-month trial in "telecommuting" began in July and involved seven managers in flight crew resources who regularly worked one day a week from home when work circumstances permitted.

BA said no decisions had been made over whether or not the experiment would be introduced on a voluntary basis for all the 120 staff in flight crew resources.

However, it said the company was increasingly recognising that home working could be an option for many BA staff if there was the suitable technology for tasks to be done at home and it was applicable to a job.

BA said: "The trial has proved very successful. Staff have said there was less stress working at home and that they got more work done."

Staff used their own computers and a closed user group was set up by Telecom Gold, a British Telecom service. Features included electronic mail, fax and telex. Where possible files were created off-line and then transferred electronically, which reduced costs.

Sogat breaking law, says unions watchdog

By Michael Smith

THE Sogat print union was yesterday accused by a government-appointed trade union watchdog of failing to comply with the law by not holding elections for the positions of three officers, including Mr Danny Sergeant, its president.

The declaration by the Certification Officer for Trade Unions raises the possibility that the union could be taken to the High Court if it fails to act.

Ms Brenda Dean, Sogat general secretary, in Blackpool yesterday for the Labour Party annual conference, said she had not yet seen the declaration. "We will give it careful consideration," she said.

Under the Trade Union Act of 1984, trade unions are required to ensure that members of their executive committee face elections every five years.

Sogat had argued that neither Mr Sergeant nor the other two officers was a member of the executive committee or had a vote on it.

However, Mr Matthew Wake, the Certification Officer, declared after examination of the union's rule books that the three were executive members.

Mr Sergeant should therefore have faced a ballot last March, five years after his initial election, and Mr Ted O'Brien and Mr Fred Smith, two general officers, had become subject to statutory election requirements in July 1989.

The decision on whether the issue will be taken to the High Court is with the complainant, unnamed in the Certification Officer's judgment.

John MacGregor: excellent news

Teaching vacancies fewer than expected

By Lisa Wood, Labour Staff

THE NUMBER of vacant teaching posts has fallen by more than was originally claimed by the government, an official survey showed today.

Figures from 104 of the 109 local education authorities (LEAs) in England showed a 77 per cent drop in the number of vacancies between January and September.

This compares with a 72 per cent drop indicated by preliminary results released last month by Mr John MacGregor, the education secretary, based on statistics from 82 authorities.

Among the 104 LEAs which supplied figures 1,400 posts were reported unfilled on September 3, of which 670 were in primary schools and 730 in secondary schools. The department of education said temporary arrangements had been made to cover "all but a few of these".

The survey also showed that 24,000 posts were filled during the summer. Only three LEAs reported a larger number of vacancies than in January.

Mr MacGregor, commenting on the survey, said: "This is excellent news. It shows that the large package of teacher supply measures we have in place are having their effect. LEAs and schools have obviously been working hard to fill their vacancies."

Last month when Mr MacGregor published the preliminary findings of the survey he said it disproved Labour's forecasts that 130,000 pupils would start the year without a properly qualified permanent staff.

Meanwhile, the National Union of Teachers, which links teacher shortages with a decline in their salaries, is claiming a rise of 10 per cent plus £1,500 for its members.

The union's executive will hold a conference in November when it will ask delegates to approve the drawing up of industrial action measures to be implemented if and when appropriate to secure the pay award which is due in April.

INDUSTRY

Exporters likely to feel the squeeze

FAR from offering British industry *relief from impending recession, entry* into the exchange rate mechanism may just shift the impact of the downturn from one sector to another.

For the last year the downturn has borne down on companies and industries such as construction or retail which are heavily dependent on the state of the UK economy.

The reduction in interest rates accompanying ERM entry will bring some relief to those sectors. But now it is manufacturing exporters' turn to shoulder the burden.

By joining at an exchange rate of DM2.95 the pressure will now be felt by manufacturing companies that export to the European Community.

With British unit costs rising more quickly than elsewhere in the EC, manufacturing exporters will find their margins squeezed. Devaluation to maintain their international competitiveness, *both in export markets* and against import penetration, will no longer be an option.

This weekend will mark the consummation of British industry's long love affair with the idea of joining the exchange rate mechanism. From Monday industrialists will find out *whether the reality of their object* of desire matches their high hopes.

At last year's annual Confederation of British Industry conference there was near unanimity that ERM entry was essential. The arguments in favour of entry flowed as freely as the drinks at the hospitality parties.

Exporters could plan their strategies around an exchange rate which would remain stable in relation to our main European trading partners. Executives with companies reliant on the UK market could look forward to a cut in interest rates which would get housing and retail sales moving again.

However, industry's attraction to the ERM has never been purely economic. Large companies in particular regarded membership as an emblem of corporate Britain's commitment to European integration, a stake in the ground to secure its place within the single European market.

On balance most companies are still in favour of ERM membership. British industrialists and employer organisations welcomed the move with declarations of "delight" and "relief". Yet, after the initial euphoria has worn off many will find the climate to be the harshest they have faced since the recession of 1979-81.

The scale of the impact on industry of joining at *DM2.95* can be gauged by a comment from an economist at one of Britain's largest exporters. As he put it: "We would have preferred a rate of DM2.65. The current rate is far too high. The internationally tradeable sector will have a very tough time, there could be two years of sub-optimal growth, investment will be cut and *I expect a sharp rise in unemployment.*"

ERM entry will have a number of effects on industry which will vary across sectors, depending on the mix of their exposure to UK and export markets.

Industries reliant on the UK will welcome the move because after a year of 15 per cent interest rates, entry has allowed a 1 percentage point cut. This should bring some relief to construction, property and retail companies. A senior executive with one of the largest car manufacturers in the UK said: "There is enormous pent-up demand, it would not take much for us to get back to record levels of car sales."

The chairman of a property and construction group concurred: "There are thousands of people just waiting for an interest rate cut to move. The housing market could explode with sustained interest rate cuts but they will need to fall by two points to really make an impact."

ERM entry in the wide 6 per cent band of variation will also please them because many feared interest rates would have been extremely volatile to keep the pound within the narrow 2¼ per cent band.

However the outlook for domestically oriented industries may turn on the performance of exporters. The domestic downturn of the last year has not had that much bearing on exporters. However, if exporters are forced to shed labour and cut investment because the exchange rate makes selling abroad more difficult this could drag down the rest of the economy.

The exporters which will be hit hardest will be those commodity sectors where price competition is more important than non-price factors such as quality. Price-sensitive areas such as bulk chemicals, textiles, footwear and commodity steel products will be hit.

Mechanical engineering groups selling low and medium technology products will also suffer because there will be a cap on their ability to raise prices.

Sterling's rate against the D-mark is not the only issue. The recent fall in the US dollar has made exporting to the US more difficult than it was at the start of the year.

Companies with higher value-added exports such as speciality chemicals producers, whose products trade on the quality and design content, will have greater room to raise prices.

In response to the squeeze manufacturing exporters can be expected to intensifying labour shedding in an effort to raise productivity and curtail rises in unit costs. Investment could also be cut back.

British industry may be about to find out that every silver lining has a cloud attached to it.

Charles Leadbeater

REACTION

Business confidence expected to return

BRITISH industry yesterday broadly welcomed the Chancellor's decision to enter the ERM and to reduce interest rates.

The Confederation of British Industry said it was delighted by both moves. It said joining the ERM would bring much greater predictability for UK businesses in quoting for export orders.

The CBI said that both ERM membership and lower interest rates would help sustain business confidence in a difficult economic climate.

But Mr Peter Morgan, director-general of the Institute of Directors, warned that entering the ERM with inflation at its current high levels would be be difficult. He said that although the interest rate cut was welcome, he was concerned that the government was giving up interest rate freedom before there was firm evidence that inflation had slowed down. He also feared the move would give the wrong signals to the consumers and the housing market.

The Society of Motor Manufacturers and Traders said the organisation was delighted with the fall in interest rates. Demand for vehicles had been falling throughout the year, although there had been some levelling off in September. The announcement would probably reinforce that trend, it said.

The Retail Consortium, representing retailers, said it was "pleased and relieved" about the cut in interest rates and ERM entry. But the consortium added that it did not expect an immediate upsurge in consumer expenditure. "I think the prospects are now for a far less gloomy Christmas for retailers," it said.

Sir Denys Henderson, chairman of Imperial Chemical Industries, said his company had long been in favour of ERM entry as it would give greater stability in business planning and should improve the investment climate. He also said he welcomed the 1 percentage point cut in base rates, which he said should be helpful to British industry. But he added that further improvements in competitiveness were still necessary.

Sir Peter Thompson, chairman of NFC, formerly the National Freight Consortium, welcomed the cut in interest rates, explaining that the recession had begun to bite deeply in recent months. He said that he hoped the decision to reduce interest rates had not been too late and that industrial confidence would return.

Hanson Industries, the industrial conglomerate, has net cash and will not therefore benefit directly from the cut in base rates. However, Mr Martin Taylor, vice-chairman, said lower interest rates must be good for the economy in the *long term.*

"I hope it's a good sign that the government believes that the problems are under control," he said.

Borrowings at Glynwed International, the Midlands-based engineering group, represented 48 per cent of shareholders' *funds at the end of* June, so it greeted the effect of the cut in the base rate. "More important, though, is the effect on the UK economy," said Mr Nick Boucher, planning manager.

"The change in rates from 15 per cent to 14 per cent won't make much difference in the short run, but it will let consumers see the light at the end of the tunnel. They will not indulge in radical new expenditure, but they will not hold back quite so much on things they wanted to do anyway."

Mr Andrew Robb, finance director at Pilkington, the glass products group, said he was delighted that base rates had started to come down, but *suspected it would* be a long time before there was any real impact on the housing market.

"It's a start, but it will have to go some way further before there is any real impact on industry," he said. "I don't think the government realises the potential damage that could result from its high interest rate policy."

Paul Abrahams, Richard Tomkins and John Thornhill

MARKETS

Financial markets hope for billions of pounds in inflows

BILLIONS of pounds are expected to be attracted into the City's financial markets in coming months as a result of the decision.

It is likely to push sterling quickly close to the top of its permitted band within the EMS, *perhaps* as soon as next week. The combination of high UK interest rates and full entry into the EMS means "sterling has become a high-yielding [D-Mark]," said Mr Steven Bell, chief economist at the UK merchant bank Morgan Grenfell.

After jumping 8 pfennigs to DM3.01 yesterday, the pound may move towards DM3.10 quite rapidly. As announced by the Treasury, a 6 per cent fluctuation around a *DM2.95* central rate means the pound can swing down to around DM2.78 and up to *DM3.13.*

The immediate effect of the ERM announcement and the 1-percentage-point cut in UK interest rates was to transform sentiment in the depressed stock market.

With the FT-SE index about 30 points down before the move, it finished about 70 points up on the day. The UK government bond market also rallied, with longer-dated bonds rising by 3 per cent. The 9 per cent issue maturing in 2008 closed at 86$\frac{11}{16}$ to yield 10.72 per cent.

Over the longer term, British financial markets can find sources of comfort and concern alike, according to City of London economists and dealers.

In the City, the timing of the announcement was seen as largely political. The move was exactly that suggested by the Labour Party at this week's conference and therefore deprives the opposition of a political platform. There is also a political benefit for the Conservatives in lower interest rates. The resultant cuts in mortgage rates might help to reduce the retail price inflation rate – and that may influence wage bargaining.

All that strengthens the government in the run-up for what is now increasingly likely to be seen as a 1991 general election, and that will in turn bolster financial markets, which traditionally react more positively to Conservative governments.

The government can argue an economic justification, too. The growth of narrow money supply, M0, the only measure targeted by the government, is crumbling. Having fallen back into its target range, M0 provides further evidence that the economy is now into recession – to confirm the evidence being provided by retail sales figures and by British companies in their gloomy earnings reports. Sterling is relatively strong, suggesting a relatively tight stance against inflation.

Potential threats arise. Some in the City are worried about the so-called "Walters" effect, named after Professor Alan Walters, a former economic adviser to the Prime Minister.

His concern would that the view of the pound as a "high-yielding D-Mark" will encourage speculation in sterling, forcing premature – and ultimately inflationary – cuts in interest rates to stop the inflows. Awareness of that as a risk may limit the prospects for further interest-rate cuts.

There is also the likelihood that because the Bank of England's "full funding strategy", intervention in the foreign exchange market to depress the pound will bring forward the likely resumption of issuance of new gilts. If an election is coming next year, fiscal policy may be laxer than otherwise – further increasing the government's need to issue paper.

One thing appears unlikely – any rapid and embarrassing exit from the ERM to parallel that which occurred when sterling joined the European currency "snake" in 1972 and left it five weeks later.

Stephen Fidler

PRIME MINISTER'S STATEMENT

Economic signs right, says PM

MRS MARGARET Thatcher said there were "uncontestable signs" *that* the economy was moving in the direction the government intended, which allowed Britain to join the ERM and reduce interest rates.

She said: "The fact that our policies are working and are seen to be working have made both these decisions possible." Echoing her oft-repeated statement that Britain would join the ERM when the time was right, she said: "These two policies are right for the times".

Evidence in Confederation of *British Industry surveys*, retail sales figures, car sales, and "above all" monetary indicators made it "quite clear that we are in a position to reduce the interest rate from 15 per cent to 14 per cent."

Joining the ERM would "underpin our anti-inflationary stance," Mrs Thatcher said. She expected Britain's inflation rate to move nearer the European average in coming months but forecasts were confused by oil price movements. *She expected building societies* to lower mortgage rates in line with the cut in interest rates.

Mrs Thatcher said she had not changed her stance on stages two and three of the Delors plan for European economic and monetary union at all. The Government remained "totally against" a single currency and so was parliament.

Ralph Atkins

JOHN MAJOR

Inflation pressures falling

Mr John Major, the Chancellor, issued this statement at 4.00pm yesterday:

IT HAS become increasingly clear that the government's sustained policies of high interest rates and firm budgetary control are now reducing inflationary pressures in the economy. Monetary growth has fallen very sharply to within its target range and the growth of demand has slowed and *continues to do so.*

The rise in oil prices will continue to feed through for some time but the prospect is for a substantial reduction in inflation over the coming year both in absolute terms and in relation to *inflation* in other European countries.

In these circumstances, a reduction in interest rates is now justified; so the Bank of England is announcing that its minimum lending rate on Monday will be 14 per cent, one per cent below the current level of banks' *base rates.*

A tight monetary policy and a firm exchange rate remain essential to bring inflation down. To reinforce our framework of monetary discipline, we have decided that the UK *should now join the Exchange* Rate Mechanism of the European Monetary System.

We have proposed, therefore, to our European Community partners that, as part of the common procedure, we should join the ERM on Monday morning with a central exchange *rate at around DM2.95 and initially* with 6 per cent margins."

ROBIN LEIGH-PEMBERTON

Benefits are potentially great

Part of a statement by Mr Robin-Leigh Pemberton, Governor of the Bank of England

I AM very pleased that Britain can now participate fully in the EMS. This is an important moment in our economic life. The long-term benefits of ERM membership, *as I have said in* the past, are potentially very great. The ERM provides a clear framework within which our counter-inflationary policies can be pursued.

That offers the prospect of greater exchange rate stability, certainly against the currencies of our European partners and perhaps more widely. It should also mean that business can plan and invest with *greater certainty. The implications* of our membership must, however, be clearly understood. I agree with the Chancellor that the ERM is not an alternative to pursuing a firm counter-inflationary policy. It is a means of reinforcing that policy.

We have sought to establish a firm exchange rate as an important element in counter-inflationary discipline, and ERM membership will underpin that. The central rate and bands that we have proposed are in my judgment fully consistent with maintaining firm downward pressure on inflation, through an appropriately restrictive monetary policy and a sound fiscal stance.

The slower growth of the monetary aggregates and recent developments in economic activity now clearly indicate a substantial reduction in inflation next year, which justifies a small reduction in interest rates. We have, therefore announced a 1 per *cent cut to* take effect on Monday. However, no one should doubt our determination to continue to pursue an appropriately restrictive monetary stance.

The recent firming of the exchange rate has put pressure on companies' profit margins, by making it more difficult for companies to pass on higher wage costs in their output prices.

EUROPE

Welcome from EC partners

MR KARL Otto Pöhl, president of the German Bundesbank, yesterday joined Britain's European partners in welcoming sterling's entry into the exchange rate mechanism of the EMS.

Europe's treasuries, central bankers and the European Commission also gave sterling's full entry into the EMS an *enthusiastic welcome that* was tempered with some worry that so heavyweight a currency might rock the stability of the exchange rate mechanism.

Sterling's precise place in the ERM will only be finalised in a special meeting today in Brussels of the EC's Monetary Committee, composed of senior treasury and central bank officials of the Twelve.

Mr Pöhl, who has long urged full British membership of the EMS, said in a statement released by the Bundesbank: "The British move is an important contribution in the framework of the first stage of European economic and monetary union.

"I welcome the intention of the British government to reinforce its membership of the Exchange Rate Mechanism of the EMS by continuing its present anti-inflation policy."

Mr Horst Teltschik, foreign policy adviser to Chancellor Helmut Kohl, said the German government saw the British *decision as "extraordinarily* positive".

He said: "It is a big step forward in monetary policy co-operation, which will ease the task of the inter-governmental conference on monetary union (In Rome in December)."

The move, only two days after German unity, backed up the Bonn government's view that "German unity can accelerate European union," Mr Teltschik said.

Mr Hans Tietmeyer, the Bundesbank directorate member who will take part in *today's European* monetary committee meeting in Brussels, also welcomed the EMS move. He said the decision showed Britain's "commitment to a policy of stability" as well as its "commitment to Europe."

Britain's European partners were *also swift* to embrace the British decision. France gave an unreserved welcome, with Mr Pierre Bérégovoy, the finance minister, describing it as "good news for Europe".

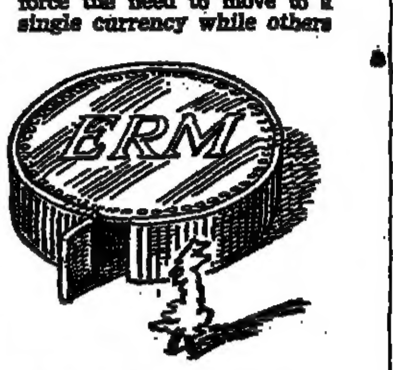
He said: "Great Britain will gain by it and the Community of 12 as well. It is a progression along the road of European economic and monetary union which earns the best wishes of the French Government."

Mr Pierre Bérégovoy, who discussed Britain's possibly *ERM entry with Mr John* Major in Washington two weeks ago, added that he "rejoiced in this positive development" from the UK government.

He said: "In the present economic circumstances, dominated by the uncertainties *born from the Gulf crisis, we* must seek exchange rate stability to hold back inflation and to avoid recession.

More precise indications of how the UK move, which Britain's EC partners regard as long overdue, will affect the pace of progress towards economic and monetary union (Emu) will come on Monday, when EC finance ministers hold their regular monthly meeting in Luxembourg.

However, from immediate reactions last night the UK move appeared likely to accentuate the division among the Twelve, with the most pro-Emu governments arguing that any instability caused by sterling's presence in the ERM will reinforce the need to move to a *single currency while others*



will argue for more time to let sterling settle in.

The European Commission declined any official comment on the British move until after today's Monetary Committee meeting, although Sir Leon Brittan, the senior UK commissioner, hailed it as good news for the UK and for Europe.

Central bankers and commission officials all agreed that sterling's entry into the ERM would enhance the authority of the UK government's voice.

None of Britain's partners was predicting that Mr Major would now be able to swing the Emu debate in the direction of his evolutionary approach to monetary union, based around a hard version of the European currency unit.

David Buchan, David Marsh, Andrew Fisher and Will Dawkins

BANKING

City sees stance as financial centre improved

BRITAIN'S decision to enter the exchange-rate mechanism was widely welcomed in the UK banking industry last night as both a sensible measure and as a source of relief from the pain of high interest rates. It will also enhance London's position as a financial centre in Europe.

Sir John Quinton, the chairman of Barclays, the largest clearing bank, said: "Thank goodness. I've been advocating this for five years or more. If we had gone in, then we would not be in our present plight."

Lord Alexander, the chairman of National Westminster, said the cut in rates "will help ease the recessionary pressures in the economy." Lower mortgage rates would be a factor in reducing the UK inflation rate.

The immediate effect of *entry will be to take some* pressure off UK borrowers and thereby slow the growth in bad debts which has been hurting the banks. The rising number of bankruptcies, and troubles in vulnerable sectors such as property and retailing, have bitten deeply into bank profits this year.

The effect may be muted. Mr Chris Ellerton, banking analyst at S. G. Warburg, warned: "It will take some pressure off the *UK, but I* stress the word 'some'. A 1 per cent cut won't be much use to very highly leveraged companies." He predicted that banks might use the decline in rates to re-establish bigger profit margins.

In the longer term, though, UK membership of the ERM may have mixed effects on the banking industry.

If it produces a healthier economy, that will be reflected in stronger bank balance sheets and higher profits. Sir John Quinton emphasised that banks no longer benefited from high interest rates because they were now paying interest on their customers' deposit accounts. "The important thing is better conditions for our customers because that is the source of our losses."

Greater stability between the UK and its chief trading partners will also accelerate flows of goods and capital, all of which provide grist to the banking mill. Trade credits, investment activity, cross-border mergers – all should increase and add to bankers' earnings *and fees.*

Against that, a more stable market for sterling may also reduce foreign exchange trading volume and cut demand for the *hedging services* that have become a substantial part of bank earnings. Although dealings in sterling are only a *minor part of the foreign* exchange market compared with dealings in dollars, D-Marks and yen, that might hurt bank profits.

The *big long-term question* is how far UK integration into the EC monetary system will draw the country's banking industry into a wider market.

Although the UK's standoffishness so far has not made its banks reluctant to expand into Europe - only last week, Barclays bought a leading private bank in Germany - many Continental banks have been much more enthusiastic about moving across borders.

UK membership of the ERM should also reinforce London's position as Europe's leading financial centre. Although the City's *lead over centres such as* Frankfurt and Paris is substantial, measured in the size of its markets and the number of institutions present there, there have been fears that isolation would hurt its standing.

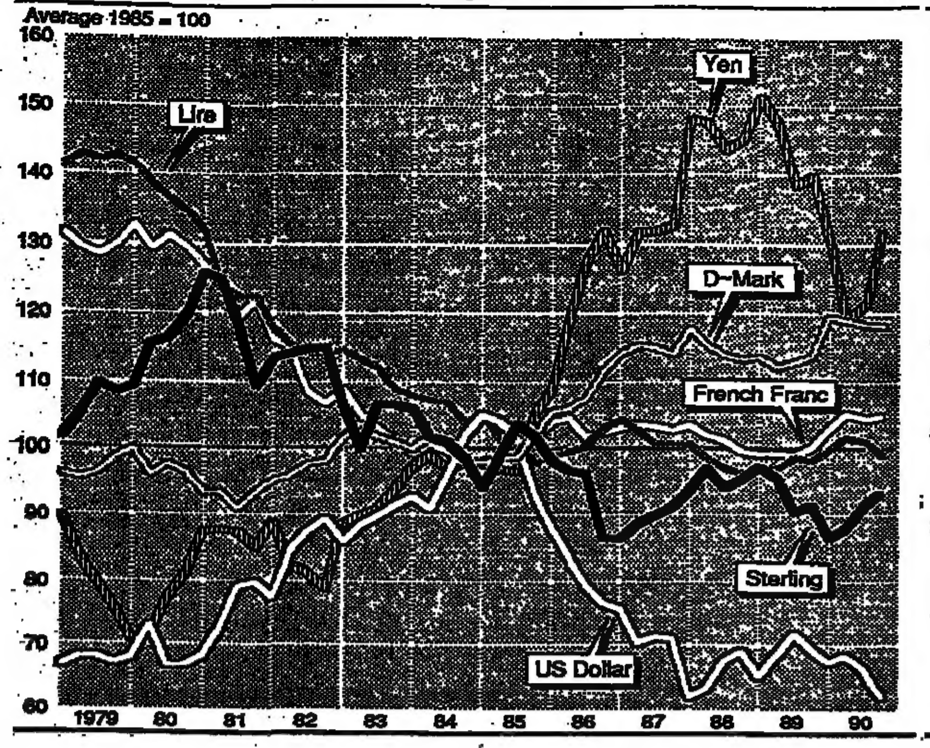
Aside from strengthening the UK's links with the rest of the EC, yesterday's *decision* reinforces the UK's commitment to a single market and should therefore increase foreign bankers' confidence about locating their business in London.

David Lascelles

BRITAIN AND THE EMS

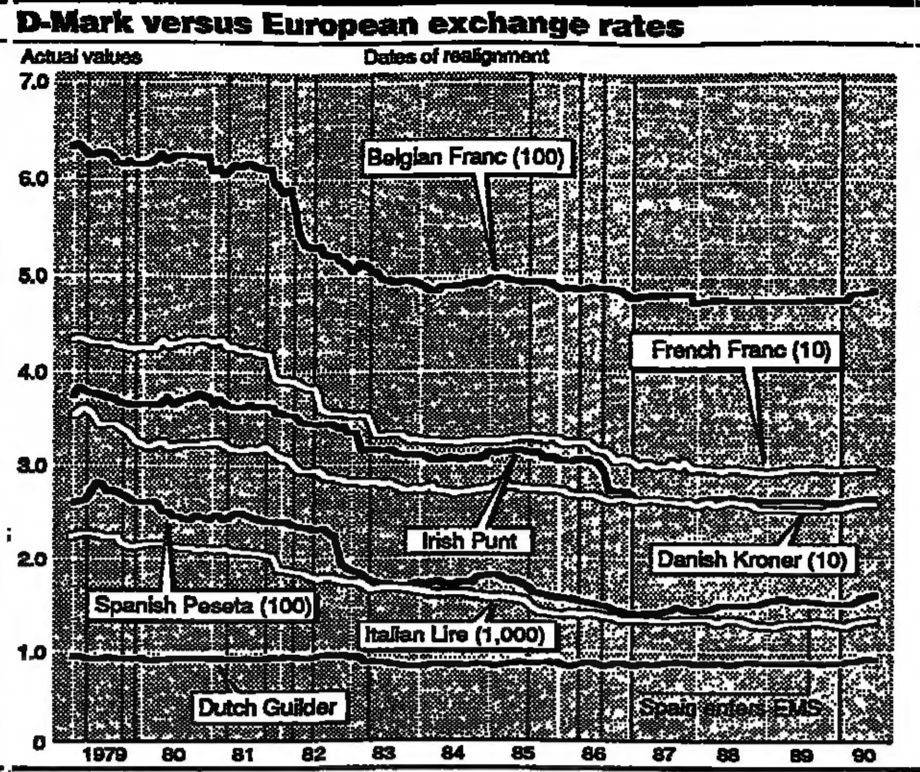
Bank of England trade weighted indices

Average 1985 = 100



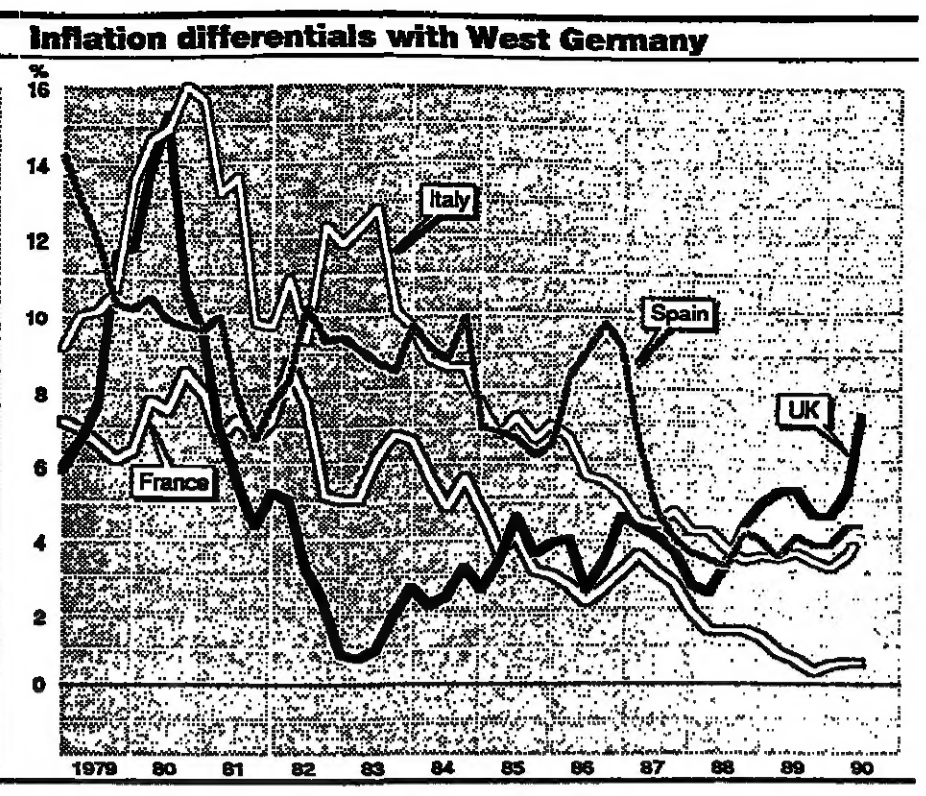
D-Mark versus European exchange rates

Actual values — Dates of realignment



Inflation differentials with West Germany

%



EMS MECHANISM

Britain to follow a working model

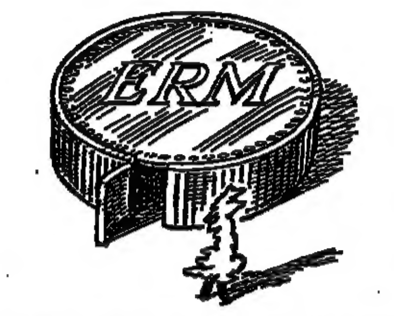
THE European Monetary System (EMS) was established in March 1979 to promote monetary stability and low inflation in Europe. Both are regarded as vital for economic policy management and successful business decision-making, and make the job of co-ordinating European governments' macroeconomic policies easier.

At the core of the EMS is the Exchange Rate Mechanism (ERM), which is designed to keep the exchange rates of the currencies within agreed limits (or "bands") against one another. The nine currencies that participate in the system are the German D-Mark, the French franc, the Belgian and Luxembourg franc, the Danish krone, the Dutch guilder, the Irish punt, the Italian lira and the Spanish peseta.

At present eight of the nine are allowed to fluctuate between plus or minus 2.25 per cent of their central rate against the other member currencies, which means they are in the narrow band.

The central rate is set by the central bank governors and finance ministers and provides the benchmark for measuring fluctuations in each currency. All the currencies in the system have a central rate against each other. For example, the French franc currently has a central rate against the D-Mark of FFr3.3539 = DM1. The franc, therefore, must rise no higher against the D-Mark central rate than FFr3.28 (2.25 per cent above), or fall no lower than FFr3.43 (2.25 per cent below). The only currency not in the narrow band is the Spanish peseta, which is allowed a wide band of plus or minus 6 per cent, and for a transitional period only.

Generally, a currency will be allocated the wide band for the initial period of ERM membership when it is likely to be exposed to greater fluctuations. The ERM currencies also have central rates against the European Currency Unit (Ecu), which is a composite or basket currency consisting of specified amounts of each EC currency. The relative amounts of the 12 component currencies in the basket



reflect their countries' economic weight. The main method of keeping currencies within their bands is intervention in the foreign exchange markets by central banks, which buy a currency to stop it from falling further, or sell it to stop it from rising further. For example, if the French franc fell to its minimum level against the D-Mark, the French and West German central banks would buy francs and sell marks to prop up the value of the French currency. Other European central banks might also be called in to participate in the intervention.

The present regulations governing intervention were laid down by the Nyborg-Basle Agreement in September 1987, which introduced the concept of intra-marginal intervention, or intervention by central banks before currencies reach their respective floors and ceilings in the EMS.

The Nyborg-Basle Agreement also provided for greater use of the Ecu for repayments within the short-term credit mechanisms available to central banks in the EMS.

Unlimited credit is automatically offered to central banks in the form of a very short term financing facility (VSFT) to finance intervention when currencies threaten to break through their bands. When intra-marginal intervention is required, credit is available, but not automatically.

An alternative to intervention is to use domestic monetary policy to keep currencies within their bands, such as raising interest rates to strengthen a currency's value or lowering interest rates to depress its value.

When intervention and monetary policy fails to hold a currency within its band, member governments can agree to a realignment. This involves resetting the central rates of the troublesome currency, and takes the form of a devaluation of a currency (lowering its relative value), or a revaluation (raising its relative value).

Realignment is regarded as a last resort; there have been 12 since the EMS's inception, and only five since 1983. The last major realignment was in January 1987 and involved the D-Mark, the Dutch guilder, and the Belgian and Luxembourg francs.

A mini-realignment occurred in January this year when the Italian lira, which had been consistently weak on the foreign exchanges, was effectively devalued 3.7 per cent against the D-Mark and moved from the wide 6 per cent band to the narrow 2.25 per cent band.

Patrick Harverson

IMPACT ON THE INDIVIDUAL

Borrowers reap first benefit of entry into ERM

ENTRY into the Exchange Rate Mechanism – and more immediately the cut in interest rates – is the first good news in a long time for people struggling with their finances.

Yesterday's announcements of cuts in mortgage rates by building societies should mean a fall in November mortgage payments for many homeowners. Those in debt should also find that interest payments on their overdrafts are reduced.

The impact of the pound's entry into the ERM may eventually be more profound than a fall in base rates, but it will take longer to show itself. If ERM membership really does make the UK economy behave like that of Germany, then Britain may enjoy low interest rates and low inflation. Britons should become more prosperous as a result.

Such a beneficial economic effect may take a decade or so. But in the meantime, there may be tangible gains. If the pound attracts substantial overseas investment, because of extra confidence in the UK generated by ERM entry, then there may be further rate cuts.

A period of exchange rate stability should make life simpler for travellers. Previously, their buying power when holidaying in Europe has varied sharply from year to year.

Perhaps the single most important impact on most individuals of ERM entry will be its effect on the companies which employ them. Stable exchange rates and lower interest rates may help British companies avoid the vast manpower layoffs which occurred in the 1980s.

The immediate concern of most people, however, is likely to be the fall in interest rates. The Halifax Building Society estimated that a 0.9 per cent cut in rates would save £17 a month for homeowners with a £30,000 mortgage and £39 a month for those with a £60,000 loan. That could make an important difference to those struggling to keep up their mortgage payments.

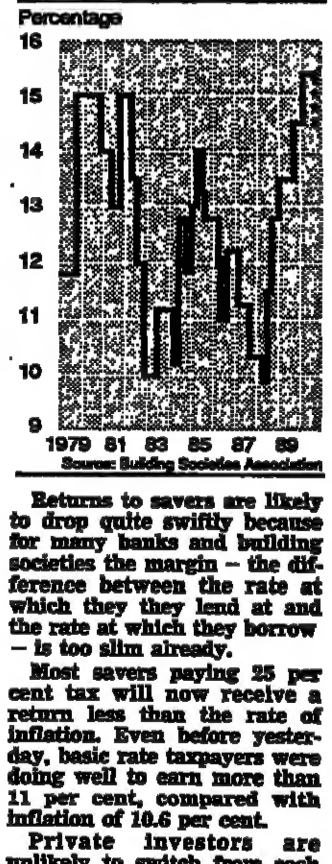
The interest rate cut may revitalise the moribund housing market. Mr Walter Avrill of mortgage broker John Charcol feels that without a cut house prices could have fallen another 5 per cent before Christmas. Estate agents Knight Frank & Rutley said: "As far as its effect on confidence is concerned rates might as well have been put down by 3 or 4 per cent."

The speed of rate cuts will vary from institution to institution. Mr Gordon Pell, head of personal banking at Lloyds bank thinks many banks and building societies are unlikely to move their mortgage rates down immediately because "mortgage rates are artificially low against the base rate." In his view, the base rate would have to come down to 13 per cent before mortgage rates moved markedly.

The cut in interest rates is not good news for everyone.

Mortgage rate

Percentage



Source: Building Societies Association

Returns to savers are likely to drop quite swiftly because for many banks and building societies the margin – the difference between the rate at which they they lend at and the rate at which they borrow – is too slim already.

Most savers paying 25 per cent tax will now receive a return less than the rate of inflation. Even before yesterday, basic rate taxpayers were doing well to earn more than 11 per cent, compared with inflation of 10.6 per cent.

Private investors are unlikely to switch from cash into equities, however. Many small investors lost confidence in shares after the 1987 crash, and the prospect of a Gulf war is still likely to restrain their enthusiasm.

Philip Coggan and Sara Webb

HISTORY

Community celebrates enduring success

THE European Monetary System is one of the great success stories of the European Community.

Launched in March 1979 to create a *zone of monetary stability* in Europe, the EMS has made a major contribution to the current strong economic growth and low inflation enjoyed by most EC nations on the Continent.

The exchange rate mechanism, which Britain has finally agreed to join, has exported West Germany's counter-inflationary success to most Community member states and acted as a powerful disciplinary force over politicians who otherwise might have shied away from sound policies.

The system was conceived by the former West German Chancellor Helmut Schmidt and French President Valery Giscard d'Estaing in response to the extreme monetary turbulence of the late 1970s.

But the EMS itself had to endure five years of instability before establishing itself as part of the European scene.

It got off to an inglorious start when a row over its impact on EC farm pricing delayed its launch for 11 weeks. From the first it was incomplete. Britain refused to join the exchange rate mechanism, the device for limiting currency fluctuation which is at the heart of the system.

Italy entered the ERM, but with wider six per cent fluctuation margins for the Lira compared with a 2.25 per cent band applying to other full member states.

During its first four years, the EMS experienced seven of its 12 parity realignments to date in the face of speculative attacks. Ambitious plans to pool part of the reserves of the EMS member states and create a European Monetary Fund after two years' operation came to nought.

In March 1983 the system was in crisis. A particularly acrimonious realignment, in which France threatened to quit, appeared to justify the views of sceptics such as Sir Alan Walters, the British Prime Minister's informal economic adviser, who has said the EMS is "half baked."

But the March 1983 crisis proved to be a turning point and ushered in a period of greater stability. The socialist government in Paris abandoned strongly expansionist policies that had pushed up inflation and the balance of payments deficit and fell into line with the West German Bundesbank's counter-inflationary goals.

There is now a core group of EMS countries - West Germany, France, the Netherlands, Belgium, Luxembourg and possibly Denmark - with inflation levels of around three per cent which could realistically contemplate monetary union.

System designers: Schmidt (left) and d'Estaing

The French U-turn showed that countries were prepared to use the EMS to impose discipline on their economies. Since 1983, despite occasional realignments, the EMS has won credibility in financial markets because the changes agreed to the participating countries' central rates have become too small to reward speculators.

But in the process, the EMS has become dominated by the D-Mark. Among EC central banks it is the West German Bundesbank which sets Europe's monetary policy.

The D-Mark – which Bundesbank president Karl Otto Pöhl likes to call the *anchor* of the system, is the main reserve and intervention currency.

The European Currency Unit, the weighted average of EC currencies that was supposed to be at "the centre of the system" has remained in the shadows, although it has gained some acceptance on private capital markets and may yet enjoy a revival as the Community moves towards economic and monetary union.

The Germanocentric nature of the EMS has brought disadvantages as well as advantages. For Germany's partner countries the "purchase" of the Federal Republic's low inflation has meant the acceptance of an asymmetrical system of burden-sharing.

Although arguments that the EMS is a deflationary system have lost their force in the light of West Germany's present strong growth rate of more than four per cent annually, it unemployment remains higher in all Germany's partner countries except Luxembourg.

West Germany also has large trade surpluses with all its EMS partners except Ireland. But contrary to expectations, Germany's trade surpluses have not caused crisis in the EMS. The determination of inflation-prone governments, such as those of Spain or Italy, to keep their exchange rates strong has had the perverse effect at times of making the D-mark relatively weak in the system. For much of last year, the Bundesbank made no secret of its desire to have an upwards revaluation of the D-mark in the EMS.

It failed however to get its way. The realignment in January this year, in which Italy brought the Lira into the narrow 2.25 per cent fluctuation band involved no other currencies.

Since the beginning of 1989, the EMS has shown that it can withstand numerous shocks. The entry of Spain into the system last year was managed without undue turbulence. More remarkable has been the calm that accompanied the lifting of exchange controls in France and Italy this year.

It is possible that the speed with which Europe is advancing towards economic and monetary union has diverted the attention of financial markets from Italy's large and troubling budget deficit of around 11 per cent of gross national product.

Britain's entry into the ERM brings the EMS into a new era. It is almost complete - only Greece and Portugal among the EC member states are still not full members. It may also require more skilful management. The UK Government has always insisted that the incorporation of sterling, which is a widely held and traded currency, would change the character of the EMS.

But the system's ability since 1979 to weather the shifting economic fortunes of the world suggest that it too will cope with Britain as a full EMS member.

Peter Norman

THE INTELLECTUAL DEBATE

Spell is broken for British supporters of floating exchange rates

WHY has the UK decided to enter the Exchange Rate Mechanism almost twenty years after espousing the joys of floating exchange rates? And why are 11 years of coy flirtation with the European Monetary System to end at last in marriage?

One explanation is political, the desire for symbols of closer union with the European Community. But, surprisingly perhaps, economics play a part as well.

Experience has convinced an ever-growing number of economists, pundits, officials and politicians that floating exchange rates flattered to deceive.

Fixed exchange rates are fashionable once more. Two decades have been long enough to forget the steely embrace of the Bretton Woods system of adjustably pegged exchange rates.

Such a change in mood is nothing new. Since the beginning of the First World War, sterling has floated three times and, with yesterday's decision, been put on a (more or less) fixed rate three times. But this may be the last occasion. If protagonists of economic and monetary union have their way, sterling will be cured of its flirtatious ways for good.

Why floating exchange rates are now widely regarded as having been at best a misfortune is no great mystery. Over the period since June 1972, when sterling was floated, the real rate of exchange has fluctuated considerably, the price level has risen by 490 per cent (a compound rate of 10.5 per cent), unemployment has risen considerably and real gross domestic product has grown at a compound rate of only 2.3 per cent.

The exchange rate instability and failures of domestic monetary control, on the one hand, and the apparent inability to obtain lower unemployment and higher output in return for more inflation, on the other, have united moderate monetarists and reconstructed Keynesians in disillusion.

Erstwhile monetarists became progressively more convinced that, in British circumstances, domestic monetary control was technically not feasible, politically inconceivable, or both. They also concluded that the markets for foreign exchange were far more flighty than they had expected. But, happily for them, the Bundesbank waits, as a *deus ex machina*, to ensure a happy ending to the play. Via membership of the ERM the UK can stabilise the exchange rate and import the monetary discipline it is apparently unable to produce for itself.

Keynesians, for their part, have never had much faith in the wisdom of financial markets, in general, or foreign exchange markets, in particular. But many have also come to the conclusion that the real economy can gain no enduring or predictable benefits from devaluation: for the UK devaluation has simply meant more inflation.

Bretton Woods: Mt Washington Hotel where the agreement on fixed rates was signed

Increased willingness to embrace the ERM was motivated as much by its successes as by these various British failures. Until the mid-1980s the reduction in inflation in the UK far exceeded that in most ERM members, though the economic cost, in the form of unprecedented levels of long term unemployment, also appeared high. After 1985 the costs faded away, but so did the disinflationary achievement.

By 1990 the UK was back among the poor performers on inflation, while countries like France and, more strikingly, Ireland, had sustained a far better performance. Moreover, their performance in lowering inflation no longer appeared to be at the price of economic growth. Since 1988 economies have been expanding rapidly throughout the ERM zone, while the British economy has been forced into the stop phase of yet another stop-go cycle.

Disappointed with performance at home and impressed by performance abroad, some monetarists and Keynesians have converged on the benefits of full membership of the EMS. But potentially disruptive disagreements remain obstacles to a peaceful marriage.

Many monetarists remain convinced that domestic monetary targeting is both feasible and desirable: feasible, because whatever the Bundesbank does British monetary authorities could do too; desirable, because British monetary conditions and the British economy remain too different from those of the present members of the ERM for successful incorporation.

Sir Alan Walters is the best known and most influential of such critics of ERM entry. He goes further, however. The ERM, he insists, is a "half-baked" compromise between fixed and floating exchange rates. The possibility of adjusting exchange rates undermines the predictability and stability of the former aspect of the ERM, while the commitment to fix exchange rates for long periods removes the flexibility of the latter. The resulting arrangement is, he argues, sustainable in the long term only because of exchange controls (a position that would also be accepted by many members who, for that very reason, now seek accelerated movement towards EMU).

Keynesians are also divided, in this case between those who see the goal as fixing the pound at a "competitive" level and so accept devaluations as necessary, from time to time, and those who embrace the logic of exchange rate discipline. Discussions of the EMS within the Labour Party indicate a confusion between these two, mutually incompatible, approaches to the ERM.

Keynesian critics, too, have a more wide-ranging objection to the ERM. The ERM, they complain, has been an oasis of West German exchange rate protectionism. Over time re-alignments have not offset differential rates of inflation. Consequently, the real rate of exchange of the D-Mark has tended to depreciate, generating increasing export success for West Germany and balance of payments difficulties for most other members. While this criticism looks less apposite in the third year of rapid economic growth in the EC, it could regain force if growth slowed once more and what Mr Nicholas Ridley called the "habits" of the West Germans were again seen to be strangling the EC economy as a whole.

In short, the convergence of ideas towards acceptance of the ERM has been neither overpowering nor unanimous. Doubters will happily seize on any difficulty as an opportunity to raise questions either about membership of the ERM or about management of the currency within it. While some of those doubts – about the "half-baked" ERM or about Bundesbank dominance – might be assuaged by rapid movement to EMU, that movement will itself create important new anxieties. With membership of the ERM the UK has reached the end of a long and stormy courtship; only the naive would suppose that the newly-weds will now live happily ever after.

Martin Wolf

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Weekend October 6/October 7 1990

The time was ripe

AFTER 11 years of a flirtation as embarrassing as it has been drawn out, the UK has at last applied to enter the exchange rate mechanism of the European Monetary System. Both politically and economically, entry is shrewdly timed. It suggests an early election; it guarantees Britain a good hearing at the European Community's intergovernmental conference on economic and monetary union, due to start in December; but it also ensures an early and probably prolonged squeeze on the sectors of the economy exposed to international competition.

The UK has applied for entry at a central rate of DM2.95, with margins of 6 per cent on either side of the central rate. On the position of the currencies in the grid on Friday morning, the effective band width would have been from DM 2.8788 to 3.1300 (8.6 per cent). These margins leave the UK with little room for depreciation, but plenty for an appreciation. Just the first instalment of that appreciation may have been seen yesterday.

Despite the chancellor's remarks that "monetary growth has fallen very sharply to within its target range and the growth of demand has slowed", the celebrated Madrid conditions have not been met. This is no matter, since they never made much sense. It was impossible for sterling to enter the ERM in the near future, after having achieved convergence of underlying inflation upon rates in major ERM member countries. Entry had to be a way to achieve that convergence. Rightly used, it can be.

Interest rates

By putting sterling into the ERM, the chancellor has stolen Mr John Smith's clothes. He has also given himself the best cover for the cut in interest rates that he evidently regarded as being both politically necessary and economically justified. This, too, is likely to be a first instalment. How soon the next instalments come and how far they go will be one indication of whether the policy should be viewed as a long-term commitment or rather as a short-term electoral expedient.

Either way, this is no time for business as usual, least of all pay bargaining as usual. With settlements running at between 9 and 10 per cent a year in the third quarter and productivity growth in manufacturing down to about 1 per cent, the squeeze on the profitability of British manufacturing is likely to be severe. The weakness of the dollar against all major currencies – it was down to $1.95 to the pound last night and may fall further, following the ignominious collapse of last weekend's painfully crafted US budget deal – will reinforce the pressure.

One wonders whether the delighted purchasers of UK equities have absorbed the implications. From the welcoming remarks by the Confederation of British Industry, it may not have done so either.

Business must do so at once. "The discipline of the ERM," is, after all, something that – as the governor of the Bank of England, Mr Robin Leigh-Pemberton, remarked – "industry has long advocated". From now on, both employers and unions have to reckon with the long-term consequences of any pay bargains above the level reached, not in the average of ERM members, but in the most successful of them.

No excuses

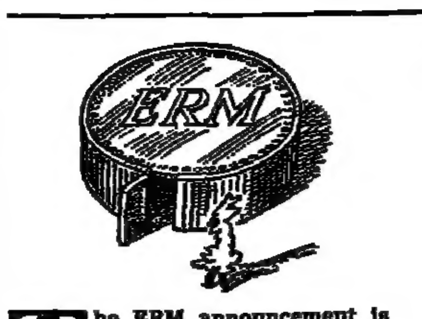
The governor also remarked that "from today, companies can have no excuse for expecting a lower exchange rate to validate any failure to control costs". If he is right – and one must hope that he is – then the squeeze on the open sectors of the economy that is in prospect will go on year after year. It will go on until the UK is competitive with Germany on a fixed exchange rate. What is more, it would be folly to hope that the new Germany will provide a more comfortable standard than the old.

It is not only business that has to adapt. So too must borrowers. Cynics may suppose that this is a ploy to cut interest rates and win the next election. At present, one cannot be sure that the cynics are wrong. But suppose they are. Then those who take lower interest rates as an excuse for substantial further borrowing are going to find themselves bankrupt.

The risk in the policy is that the appreciation of sterling will lead to premature cuts in interest rates, before credibility is established. This may even be seen by some supporters of the government as its advantage. Such a short-sighted policy will do nothing to rectify the long-standing problems of the UK economy. It will magnify them instead. To meet the risk the chancellor will not merely have to cut interest rates as little as possible, but do everything he can in other ways to suppress another round of the borrowing disease.

ERM entry is just a first step. What the chancellor now does – and how business and households respond – will determine whether it is yet another failed expedient in the history of over-politicised British macroeconomic policy or a first step toward something notably better.

BRITAIN AND THE EMS



Samuel Brittan says yesterday is only the first step to a non-inflationary currency zone

The beginning of the beginning

The ERM announcement is only the beginning of the beginning.

The hope behind ERM entry is that voiced yesterday by the governor of the Bank of England: "From today companies can now have no excuse for expecting a low exchange rate to validate any failure to control costs." This plus the firm establishment of the exchange rate as a commitment to supplement, and in the last resort override the often confused and conflicting domestic monetary indicators.

Sterling's adhesion, as a leading international currency, is much the biggest jolt that ERM has had since it started in 1979. It will not be a joy ride. There will be periods when interest rates will have to be higher than the government would like for internal reasons to keep sterling within its band. There will be other periods, reminding one of 1987-88, when interest rates may have to be lowered to prevent sterling from overshooting.

Unfortunately it will take more than the obviously sincere commitment of a still-not-independent governor to provide long-term credibility. It took France several years and several realignments before French industry and unions began to take their decisions on no-devaluation assumptions. The UK does not have this time.

Entry into the ERM had been urged since 1985, and contemplated since 1981 by Mr Nigel Lawson, who sacrificed his career as chancellor, not just on the ERM, but much more for the belief that an exchange rate anchor was needed for sterling.

Whenever members of the British establishment told me that the wrong time to join the Exchange Rate Mechanism was in a crisis, I used to reply that that was about the only time when we would join. Crisis may be an exaggeration, but the clue to the timing of the government's decision is the intense pressure that has been building up to reduce British interest rates. There is no way that the 1 percentage point reduction to 14 per cent could otherwise have been made.

Sterling had risen from its low point earlier this year on clearly well-founded newspaper reports that the prime minister had, however reluctantly, lifted her veto on ERM entry; and whenever anything was said, whether by Mrs Thatcher or Mr Karl Otto Pöhl, to throw doubt on these reports, sterling would weaken.

A cut in base rates on its own would have given the impression that the ERM decision had at least been shelved until after a clarification, whether towards war or peace in the Middle East; and now that seems a long way away. More broadly, a unilateral decision to reduce interest rates would have signalled that getting the economy into shape for the election was now the priority.

But the crucial factor in the decision to join now rather than later was the acceptance of Treasury economists that the UK was indeed in recession – not only in banking and financial circles, where the cries of pain are particularly loud, but across a broad range of manufacturing industry. Even that would not have been enough to make them comfortable with a cut in interest rates had it not been for their belief that inflation really was about to fall rapidly – despite earlier failed predictions.

This is undoubtedly true of the stupid headline rate, which will drop as mortgage interest and poll tax distortions drop out from the year-to-year comparisons – assuming all the time that we do not get Armageddon in the Middle East.

One cannot be so confident about the underlying rate. But the Treasury does stress that all the monetary indicators – broad money, as well as the more controversial M0 – have fallen sharply in the past few months; and this is confirmed by indicators such as bank credit with which financial market people feel more at home.

And yet, and yet, and yet, I would have felt more comfortable if the interest rate cut had come after some evidence of the markets' attitude to sterling in its new corset. There could indeed have been some pressure to reduce differentials between London and other European financial centres. But why not wait a little, especially as the government had wisely decided to give itself more room for manoeuvre on interest rates by choosing to join at a wider 6 per cent band? There was just a little matter known as the Conservative Conference.

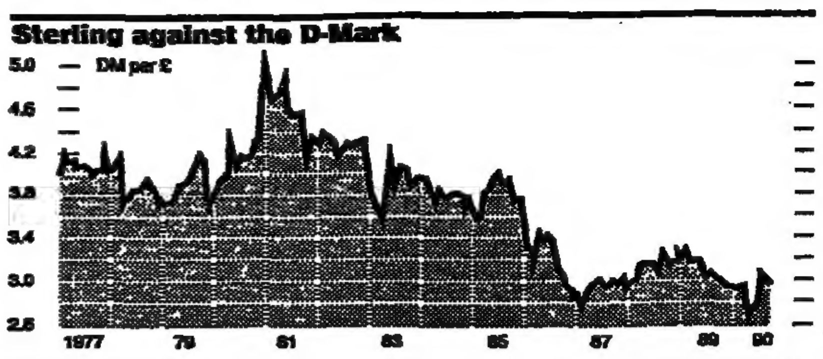
The best feature of ERM membership is that it has come at the relatively high central rate of DM2.95. This is a tighter rate than shadowing the Deutschmark at DM3 two years ago, because since then the cost differential has widened by about 10 per cent against the UK.

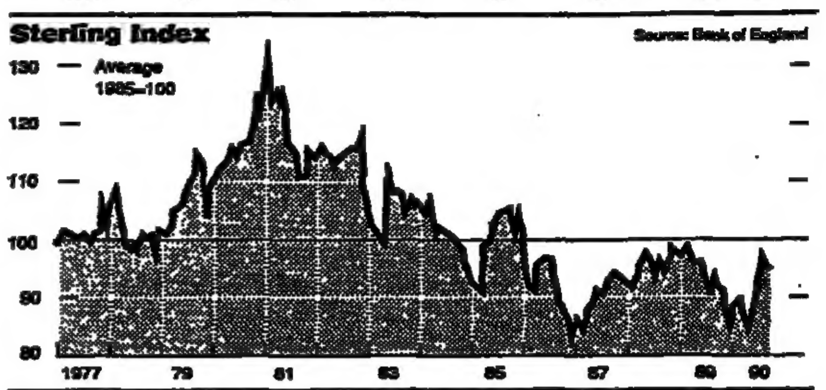
Some critics will say that the entry rate of DM2.95 is too high, but I would ask them to look at a Salomon Brothers Report of September 27 (tel: 071-721 3947), reporting discussions with major export firms who believe that they are competitive at about DM3 and $1.90. Indeed Salomon goes on to say that in contrast to the gloom merchants, the UK should be an extremely competitive offshore base from which to attack the booming European markets of the 1990s. All of which makes me wish that the central rate had been DM3 plus.

But what matters is not these short-term issues but the creation of a belief that the British government will be at least as firm the French one in avoiding realignments. When that happens, and only then, will there be a prospect of costs and prices in the internationally traded sector keeping in line with those of Germany and other main competitors.

Credibility will not be won by words alone. Indeed, it will not come fully until the UK is locked in with other members of the European Community into irrevocably fixed exchange rates, after which a common currency is just common sense. This full credibility will have to depend as well on the establishment of a European central bank on the lines of the Bundesbank with equal operational independence to that enjoyed by that institution.

Will British monetary policy now be made in Frankfurt – and eventually perhaps in Berlin? I very much hope so, but we have a long way to go before we can be sure.





Making a run for it

Joe Rogaly weighs up the political implications

Thatcherism is bankrupt. The Conservatives will drive the mortgage rate down and make a run for the polls, possibly next June. That was my first – doubtless unworthy – reaction to the flash on the news wires yesterday afternoon. Why else would a 1 per cent cut in interest rates accompany an announcement that Britain will join the Exchange Rate Mechanism of the European Monetary System on Monday morning, the day before the start of the Conservatives' annual conference in Bournemouth? The single most important indicator of the Tories' standing in the opinion polls is the mortgage rate; bring that down by an appreciable number of percentage points and at a stroke you narrow the gap between the two larger parties.

There is also the question of pulling the rug out from under the opposition. The two moves announced yesterday – an interest rate cut and membership of the ERM – constitute two-thirds of the economic policy platform put forward by the Mr John Smith, Labour shadow chancellor, last Monday; in the highly unlikely event that the government also pinches the third item of Labour clothing, namely restraints on bank lending, I shall send a red rose to the real chancellor of the exchequer, Mr John Major.

If this verdict seems too nasty and suspicious, consider the nature of Mr Major. Irresponsibility is not a charge that may be laid against him. His record is of solid, workmanlike application to whatever has fallen on his plate. Yet his outstanding characteristic is that every move he makes is carefully pre-weighed in the political scales. In March he rescued his party from what may have been a terminal bout of self-destructive depression by producing a budget that he unashamedly conceded was designed to do just that. When he came back at the end of the summer holiday he drew up a balance sheet of the political pros and cons of the situation created by the Gulf crisis.

The politics of yesterday's move will also have been assessed, presumably on a neat notepad with a line drawn down the middle, showing arguments for on one side and those against on the other. The against side is that the whole exercise is a huge gamble: if the timing is out, the recession that may yet hit the British economy with full force will sweep Mr Neil Kinnock, the Labour leader, into Downing Street, with the unflappable Mr John Smith practising his new-found conservatism in the best Crippsian manner next door.

If the timing is right, the for side of the sheet will have a goodly list of items with a tick by their side. Mr Major himself is vindicated: he is not, as many unfairly alleged, Mrs Margaret Thatcher's poodle, but the man who said he had persuaded the prime minister of the merits of joining the ERM and has now proved it.

Mr Douglas Hurd is strengthened, since Britain's role in the inter-governmental conference on European monetary and political union, which opens in December, should be accepted as wholehearted. The foreign secretary's reassuring manner is proving a Tory asset on the nightly TV news. Coincidentally, the explosive possibilities of the European question for the Conservative party are of less immediate concern, given the EC's slow and clumsy reactions to the invasion of Kuwait by Iraq.

Yesterday's decisions will also transform the nature of the election campaign that in effect began with the Liberal Democrat conference three weeks ago. Back in London from Blackpool, I have been struck by the number of people who saw the Labour concerto only on TV and believe that it was an enormous success. Mr Kinnock's neatly suited and scrubbed social democratic choir may not have a great many brilliantly radical new choruses to sing but the overall impression of the conference appears to be that it established Labour as solid, sensible, salt-of-the-earth, perhaps not such a bad thing for the country after 11 or 12 years of governance by an increasingly powerful Mrs Thatcher.

Conservatives, on the other hand, seem to fear that at their conference the government may be exposed as devoid of new ideas, obliged to stoop to smears on its opponents as two-faced liars who are really hard-left socialists in disguise. In 1979 the country needed Mrs Thatcher to put the trade unions in their place. Her gradual discovery of the merits of privatisation is also greatly to her credit, as are a number of other measures, such as her systematic attack on a series of interest-groups.

Now it is not clear where the Conservatives might go next. They have set out to destroy local government and introduced the absurd poll tax. Their quasi-markets in state education and health have not been embraced by either the relevant professions or many of the wider public. Their marriage to the road system and the sale of electricity at any price have constrained them on environmental policy. The public infrastructure is run-down and rotten; no believable policy to build it up has yet been forthcoming.

We shall have to wait before pronouncing that none of this is likely to be put right by anything said at next week's party conference. But the chances are that that would have been the verdict – before Mr Major cut base rate and announced that we will join the ERM. These moves will put the conference in a fresh light, and perhaps scupper the plans of the Tory party chairman, Mr Kenneth Baker, to head off pressure for a mid-1990 election. But if Mr Major has got his timing right, the Tories, who have recently done little to deserve it, will win.

Barry Riley considers how mortgages, savings and equities may be affected

Change of habits necessary for success

It could be a whole new financial world inside the exchange rate mechanism for the average Briton. But he should not be deceived by the initial honeymoon period.

To begin with, it is true, the effects look almost wholly beneficial. Interest rates are coming down, the exchange rate has gone up and share prices soared last night. Only old age pensioners fearful of a cut in income from building society deposits will be apprehensive.

But this cannot be a costless exercise. If participation in the ERM is to be a success it must serve drastically to change Britain's inflationary habits. The high borrowing, high spending culture must be replaced by something altogether more Germanic. Those who continue to follow conventional British borrowing and saving habits could eventually find they have made an expensive mistake.

Eventually is the word, because there may be several stages to the transition. There will be an initial period lasting, if we are lucky, six or nine months during which the impact of the ERM will appear benign, except perhaps to industrial companies hurt by a high exchange rate.

Then, at some stage, there seems likely to be a crisis. Sterling will drop to the bottom of the permitted band rather than being at the top, the balance of payments figures will be awful and the UK will come under pressure from its partners to make policy changes.

At issue will be whether the British government will accept the required restrictive measures, or whether it will settle instead for an agreed devaluation against the DM and other currencies. At worst, there is a small, but not insignificant, risk that the UK will leave the ERM again. To complicate matters there is likely to be a general election in the middle of all this.

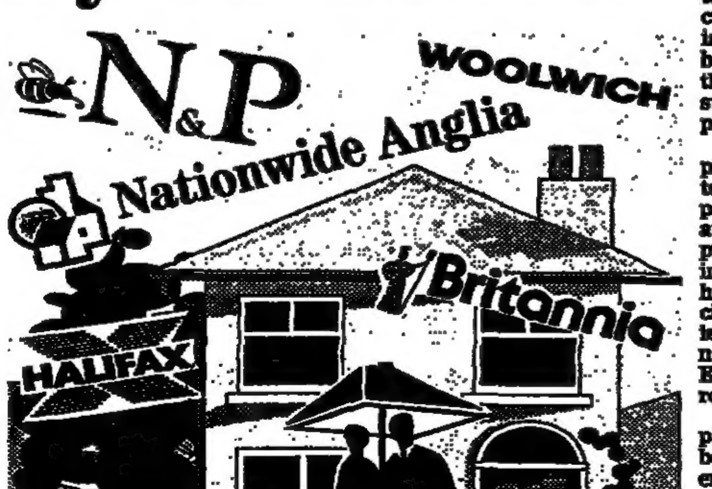
In political terms, the most crucial decisions may concern the housing market. In the past it has been the golden rule that British citizens should buy the biggest house they could on the biggest mortgage they could afford. Already in the past two years this has proved misguided. It would be wrong to think that because interest rates are coming down the housing market will spring to life.

Superficially, ERM entry is bullish for house prices. Not only are sterling interest rates coming down but the risks of foreign currency mortgages are now greatly reduced. A lot of people are bound to be attracted by the prospect of borrowing in DM at, say, 10 per cent rather than in sterling at 14 or 15 per cent.

Sterling could, of course, drift down against the DM by a few percentage points, and there is the danger of a further realignment in a year or two. But to cash-squeezed borrowers the risks may appear acceptable.

But it is not possible that the British housing market can become an engine for the creation of a mountain of DM-denominated credit. The Bundesbank would not put up with it. It is prudent to expect, therefore, that constraints will be applied to the mortgage market. Even if credit controls are not introduced, there will have to be a removal of the tax incentives offered to home owners. There will be no house price bonanza, and in the longer run values (which are still high in relation to incomes) could fall further.

As for savers, they have done well in the UK by supplying the short-term finance for the bloated mortgage industry. But interest rates in the leading ERM countries are much lower than in the UK, at 8 or 9 per cent (and even at that level they are exceptionally high).



On the Continent savers have had much greater incentives to invest in longer-term fixed interest assets, notably various forms of bonds and bond funds. In the UK fear of inflation and the attraction of generally very high short-term rates has caused savers to ignore bonds and to invest either in deposits or in equity-based unit trusts. Some 98 per cent of unit trust marketed in the UK are invested in equities, but in Germany only about 15 per cent of the equivalent open-ended funds invest in equities, while nearly three-quarters are specialist bond funds.

In a low inflation environment bonds can consistently offer a real long-term return at a much lower risk than that attached to equities. Indeed the real return on DM bonds is at present historically high, at some 6 per cent. In contrast the real return on UK long-term government securities (gilts) is nil to a standard rate taxpayer.

These bond returns must converge now that sterling is within the ERM, and when the European Monetary System moves on to the next stage, or European Monetary Union (EMU), the rates must become almost the same. Of course, the time scale is problematical, and the political risks are not insubstantial. But British investors who continue to stick to their traditional way could lose out.

Looking at this same argument from the point of view of equities, the crucial aspect of ERM entry will be the implied shift of sterling, over the long term, from the soft to the hard currency category. In fact British companies have already been struggling to cope with the effects of a relatively high sterling exchange rate, and profits are being squeezed.

The government hopes the pressure will force companies to trim their price rises and pay increases, but the immediate damage will be done to profits and dividends. After the initial jump in share prices, on hopes that foreigners, especially continentals, will feel it is safer to buy British equities now that sterling is in the ERM, the prospects will be less rosy.

As for foreign equities, the past returns on these have been enhanced for British buyers by the long-term weakness of sterling. In terms of a strong currency in future the returns, relative to bond yields, could look much less attractive.

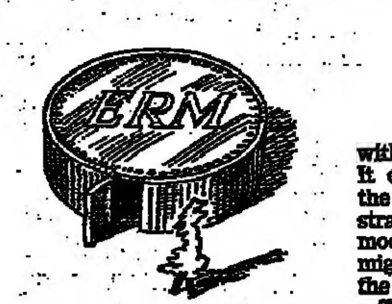
Moreover, Japanese and American funds can be expected to become much more volatile in price than French or German unit trusts. Indeed, as sterling settles within the ERM the whole EMS zone will become like a kind of extended domestic market for investment purposes, and if and when EMU is achieved the fusion will be almost complete. Eventually, in an era of European funds, British or German specialist unit trusts could become as unimportant as UK regional funds today.

In the chaos of a weekend entry to the mechanism it is hard to see the immediate future clearly. A lot of transitional turmoil lies ahead, and it may be five years before the attitudes of the public and of British politicians are fundamentally changed. However, everybody ought to keep the eventual targets in mind.

BRITAIN AND THE EMS

A bid to banish years of 'conflict and intrigue'

Philip Stephens chronicles the drama behind the government's decision



"If we both sign it, we will be safe," Sir Geoffrey Howe mused in the early summer of 1989 as he joined Mr Nigel Lawson in the last of a series of vain attempts to persuade Mrs Margaret Thatcher to lock sterling in the EMS Exchange Rate Mechanism.

One of the senior officials charged with drafting their joint submission to the prime minister in advance of the European Community's Madrid Summit was less sanguine. "This is dangerous stuff," he is said to have whispered to a Whitehall colleague. "If they are not careful, they will both be gone by the end of the year."

Within two months, Sir Geoffrey had been moved from the Foreign Office to the less influential position of leader of the House of Commons. Three months later Mr Lawson rocked the government by resigning as Chancellor.

The prophetic official was as shocked as anyone at the accuracy of his prediction. But that he had even offered it was eloquent testimony that the EMS had become the most damaging and divisive issue which the government had faced since taking office in 1979.

The episode underlined also how the government's overall economic strategy had been undermined by constant guerrilla warfare between Mrs Thatcher and her most senior ministers over the seemingly arcane subject of exchange rate management.

It is this spectre of internal intrigue, conflict and conspiracy which Mr John Major hopes he has banished with his announcement yesterday that Britain has finally joined the ERM. But if Mr Major has now succeeded where his predecessor failed in manoeuvring Mrs Thatcher into an exchange rate system she still distrusts, the legacy of conflict will not be easily shaken off.

The row over the EMS raged within Whitehall for five years. It obscured and undermined the government's anti-inflation strategy. In spite of the initial mood of optimism yesterday, it might yet cost Mrs Thatcher the next general election.

The politicians and officials who have been at the heart of the EMS debate agree on one thing. The internal disputes blurred and distorted the government's focus on what it had always declared its central economic objective – the defeat of inflation.

Pride meant that decisions over the appropriate level of interest rates – particularly during 1988 – owed as much to the state of personal relations between Chancellor and prime minister as to developments in the economy.

It is the spectre of internal conflict and conspiracy which Mr Major hopes he has banished with his announcement that Britain has finally joined the ERM

As a result the government tarnished its most important electoral asset – its reputation for competence in managing the economy.

For observers, the EMS debate has provided the most compelling political drama of Mrs Thatcher's 11 years in office.

Public and private clashes within the Cabinet, stage-managed reconciliations in the House of Commons, demotions and resignations, and even the language of the conflict, are etched in political memories.

No political leader can say again of a senior colleague – as Mrs Thatcher did of Mr Lawson – that he is "brilliant, brilliant, brilliant" or that his position is "unassailable". The prime minister can never again declare that: "You cannot buck the market."

The description "family friend" – bestowed earlier this year by Mrs Thatcher on her erstwhile economic adviser Sir Alan Walters – has been given an entirely new dimension.

The first act in the drama came at the start of 1985. Mr Lawson, Chancellor for 18 months, was losing faith in the adherence to domestic money supply targets which characterised the government's first term.

An official recalls that as a junior Treasury minister, Mr Lawson had wondered aloud several years earlier whether Britain should join the exchange rate system which France and Germany had established in 1979. But the impact on sterling of the 1979 oil price rise, the sharp economic recession, and the government's determination to liberalise financial markets kept the issue on the back burner in the early 1980s.

Mr Lawson's consideration of the EMS hardened into conviction when the dollar's hectic surge against all leading currencies drove the dollar/sterling exchange rate to within a few cents of one-to-one parity.

The sterling crisis of January 1985, the latest in a long series, persuaded him of several things.

His ambitions to transform the supply side of the economy with a programme of bold tax cuts and reforms would be seriously circumscribed if sterling was vulnerable to speculative attacks. A weak pound meant that financial markets would force on him dull Budgets.

Tying sterling to the low-inflation D-mark appealed to Mr Lawson's temperament. His political career demonstrated a sharp, restless intellect constantly seeking action and change. However, it also showed a man in search of a macro-economic straitjacket to tame some his own instincts. Targets for the money supply had failed, so the EMS would be put in their place.

Mrs Thatcher, however, was not to be persuaded. Her views on exchange rates were shaped two decades ago, when the inflationary policies of the US administration provoked the collapse of the Bretton Woods system.

She also reserved a special antipathy for attempts by EC nations to peg their exchange rates – one born of Britain's brief but disastrous experience in the so-called "Snake" during the early 1970s.

But the prime minister is above all a politician and by the spring of this year Mr Major had convinced her that politics as well as economics pointed to membership. By the summer she had agreed – though not with enthusiasm – that he could take the plunge in the autumn.

Mr Major, a pragmatist to Mr Lawson's ideologue, used his formidable political talents to persuade the prime minister than she no longer had a choice.

The message that he hammered home in meeting after meeting in Downing Street was this: he might well find it impossible to deliver the sharp reduction in inflation and interest rates that the government had promised outside of the ERM. If he could not deliver Mrs Thatcher would lose the election.

Growing unease within the Tory party about the risk of Britain being left behind in a two-speed Europe, her waning influence with her EC partners, and the electoral threat from a more centrist Labour Party played a supporting role.

So too did the realisation that having demoted Sir Geoffrey and lost Mr Lawson, she could not afford a rift with Mr Major and Mr Douglas Hurd, the foreign secretary.

Mr Major and Mr Hurd studiously avoided the open confrontations which dogged their predecessors' relations with Mrs Thatcher, but both consistently made it clear that Britain could not delay for much longer.

So, in the words of one senior insider Mrs Thatcher "gave her consent if not her blessing".

It had taken five years.

The first of the earlier confrontations had been in October 1985, in what turned out to be the single occasion on which Mr Lawson formally took the issue to other members of the Cabinet. Backed by Sir Geoffrey and the then Mr (now Sir) Leon Brittan, he sought, and failed, to persuade Mrs Thatcher.

The Chancellor never again demanded a broad Cabinet-level discussion of the issue – but he fought with everything at his disposal to outflank Mrs Thatcher.

The tactics employed by both sides occasionally appeared almost childish.

Treasury officials alerted economics writers to speeches delivered by Sir Geoffrey in which the foreign secretary supported Mr Lawson's stance. The Chancellor floated stories indicating there was a specific target for the pound. When Mrs Thatcher voiced outrage at the resulting headlines, he denied the reports.

His policy of "shadowing the D-mark" at around DM 3 was first signalled during an informal briefing for journalists in Paris after the signing of the Louvre Accord to stabilise the dollar in February 1987. The subsequent massive intervention – Britain's foreign exchange reserves doubled to $45bn during 1987 – needed to hold the pound steady provoked regular rows between the Downing Street neighbours.

Even when Mrs Thatcher, backed by the Bank of England, insisted in March 1988 that the DM 3 ceiling be abandoned, Mr Lawson sought to present the move merely as a shadow "realignment". By then, however, Mrs Thatcher's off-the-cuff remarks in the Commons about "bucking the market" had brought the conflict out in the open.

Mr Lawson's most ambitious Budget had been overshadowed: inflation was accelerating rapidly; and personal relations between a Chancellor and a prime minister whose instincts on most other policies were identical had been irreparably damaged.

Either in desperation or as a diversion (friends differ on the motive) the Chancellor even suggested that the government hand control of anti-inflation policy to an independent Bank of England.

For her part, Mrs Thatcher had decided to bring Sir Alan Walters back to Downing Street as her economic adviser. In spite of Sir Alan's repeated, and only lightly-coded attacks, on his policy, Mr Lawson's objections were brushed aside.

It was the publication a year later of the Delors report on Economic and Monetary Union within the EC that triggered what turned out to Mr Lawson's last throw of the dice. Ironically, it paved the way also for his successor to secure the commitment which had eluded him.

Mrs Thatcher was told that unless Britain gave a firm commitment to join the ERM, then it could have little or no hopes of persuading its European partners to abandon or modify their ambitions to move to a single currency and central bank. The ambiguous and tortuous Madrid conditions for ERM entry – establishing lower British inflation and the completion of the single EC market – were thrashed out as the prerequisite for British entry.

Mr Lawson saw the formula as a way to ensure full participation by mid-1990 at the latest. Mrs Thatcher hoped that they would give her sufficient scope to delay further a decision until after the election.

Until last October, when Sir Alan's interference from No 10 provoked the series of bruising attacks on Mr Lawson in the Commons by Mr John Smith, the Labour Shadow Chancellor, it looked as though the Prime Minister would be proved right.

Her Chancellor's departure ensured that she would be wrong – though no one could have foreseen the irony of British participation in the system at so close to the DM 3 level in which Mr Lawson had put so much faith.

LETTERS

Monetary union for a wider Europe

From Mr Nick Wright.

Sir, Although the speed of integration may be in doubt, it looks increasingly certain that a variation of the Delors plan will eventually be accepted by at least 11 of the 12 European Community members at the forthcoming inter-governmental monetary conference.

As Mrs Thatcher has tried to water down all current attempts at closer integration by reminding us of her commitment to a greater Europe, would a single European currency be more acceptable to the British government if its membership were to include non-EC countries too?

Austria has for some time linked its currency to the D-Mark, while Norway boasts more trade with EC countries than some of us do with each other. Sweden and Switzerland are also countries with close economic ties.

Participation or non-participation in the Ecu scheme should not affect non-EC states' applications for membership in the Community. Likewise the door must be left open for all European countries (including the emerging democracies) to join when their currencies are able to be integrated.

By offering the inclusion of European countries with compatible economies without the precondition of membership of the Community, Mrs Thatcher could ensure that the UK benefits from participation without betraying her distrust of closer political union.

Nick Wright,
6 Wayne Close,
St Peters,
Broadstairs, Kent

But the future is going to work

From Mr M.J. Turner.

Sir, It is a pity Christian Tyler ("If this is the future, it's not going to work," September 29) came across as so negative on the Robot Olympics. The event was a bit of fun (with a serious dimension).

He could have made more of the achievement of the Turing Institute (a world leader) in bringing so many devices together from all over the world, and of the great strides in the underlying scientific knowledge over recent years. The fact that so many of the robots had been put together on a shoestring by gifted amateurs makes a point about the absence of vision and flair in much of UK industry.

The Trade and Industry Department does have a significant advanced robot programme in which a number of UK companies participate. That is welcome and appreciated by researchers, but its resources are significantly less than the Japanese Advanced Robot Technology Project which has (to mid-1990) spent some £58m. Japanese companies have probably spent several times that sum in independent research outside the national programme.

The Japanese do not usually invest in a future that is not going to work.

M.J. Turner,
director,
Marinetech North West,
Coupland 111 Building,
The University, Manchester

Inconvenience of AGM times

From Mr H.F.G. Day.

Sir, I should like to add to Mr Hopkins's entertaining account of some shareholders' annual general meetings which he has attended ("Could we have better biscuits next year," September 29).

This is a subject which I have often felt needed an exposé.

There are many companies, mostly in the smaller category, which start their AGMs at 10 am or even earlier. There were five such meetings one day this week and one at 9.30 am.

Most shareholders believe the directors of such meetings are not too bothered whether the owners of the companies turn up or not. Many of the meetings are arranged more for the benefit of the directors and their professional advisers.

This goes against the spirit of wider share ownership and democracy.

H.F.G. Day,
53 Brantwood Gardens,
West Byfleet, Surrey

Wrinklies: a new option beckons

From Mr Martin Wood.

Sir, The Institute of Management Studies' findings noted by Observer ("Shrinks back wrinklies," September 27) come as no surprise. Employers are indeed apt to discard executives and to bar their re-entry at younger and younger ages. Disturbing though this is, (as is the fact that five companies perceived senility to start at 40), there is a whole new career option opening for executives who find difficulty in re-entering permanent employment.

This new option, usually known as executive leasing or interim management, also ensures that the expertise, experience and knowledge, confirmed by the British Psychological Society, is not lost from industry, government and commerce.

Increasing numbers of senior executives mainly in their 40s and 50s, many with successful board-level experience in major plcs, are being hired to carry out specific short-term assignments in very senior line and general management roles.

High-energy, intelligent and above all committed and experienced executives, who have "seen it before" and are therefore immediately effective, are being placed to handle crises, manage major change, cover for a sudden departure or run "business as usual" while a search or selection exercise takes place.

This flexible resourcing option is well established and accepted in many European countries, and more enlightened UK companies are now recognising its benefits.

Martin Wood,
director of executive leasing,
PA Consulting Group,
Hyde Park House,
60a Knightsbridge, SW1

The Gaelic route to Europe

From Mr Liam Mulloy.

Sir, I am surprised that Kieran Cooke finds that "the level of language skills [in Ireland] is even more abysmal than in the UK" ("Ireland peers at Europe etc," October 4).

Apart from an educational system requiring, on average, two foreign languages for university entry, I find this statement difficult to believe in the light of our own Irish (Gaelic) language. Although only spoken by a minority as a first language, it is understood by all. My experience of comparing the language skills of Irish and English acquaintances leads me to conclude that knowledge of the Irish language facilitates the transition into a third language.

Liam Mulloy,
manager, EC Services,
Price Waterhouse Consultants,
135 St Lambert Street,
Brussels

Tax regime discourages diesel

From Mr P.G. Davies.

Sir, Stuart Marshall ("Big thinking is on the way out," September 29) suggests that more company cars should use diesel engines. He fails to point out that the tax regime seriously discourages the use of diesel-engined company cars, for two reasons.

● Diesel engines need to be rather larger than petrol engines to provide adequate performance. Thus, a diesel Ford Granada uses an engine of 2.5 litres as an alternative to the 2.0 litre petrol engine. Unfortunately, the Inland Revenue will put a taxable value of £3,550 on the benefit of a diesel Granada, compared with only £2,200 for the petrol version. Similarly, the taxable value of diesel fuel provided for private use will be £900, compared with only £600 for petrol.

● Diesel engines cost rather more than petrol engines, which can push the cost of a car over the Revenue's arbitrary price limit of £19,250. For example, the 2.0 litre petrol-engined Citroen XM SE costs £19,244 but the diesel version costs £21,700. In this case, the taxable benefit of the diesel car would be £4,600 – compared with only £2,200 for the petrol one.

The use of price bands for taxing company cars can itself act as a disincentive for saving fuel. Thus, any employee who was entitled to a Citroen XM costing £21,700 would probably choose the 3 litre petrol SI version. This would attract the same tax liability as the SE diesel, yet would consume about 60 per cent more fuel.

The chancellor should announce that from next April all company cars will be taxed in five categories: petrol up to 1400 cc and diesel up to 1800 cc; petrol to 2000 cc, diesel to 2500 cc; petrol to 2500 cc, diesel to 3000 cc; petrol to 3000 cc, diesel to 3500 cc; petrol over 3000 cc, diesel over 3500 cc.

He should make it clear that the taxable benefit of free petrol will rise to a very high level for the top category (say £2,000), but that in every category the value of free diesel will be set at only half the value of free petrol.

My inclusion of a tax category of up to 2500 cc (for petrol engines) is intended to encourage the use of cars such as the 2.3 litre Saab which Mr Marshall enthuses about. However, I expect that BMW, for one, will dispute his assertion that this car is inherently more economical because it uses a four-cylinder engine.

P.G. Davies,
45 Essex Street,
Newbury, Berkshire

Understandable concern

From Mr Michael Smedley.

Sir, Mr B.H. Davies (Letters, September 29), actuarial adviser to a group of Imperial pensioners, refers to their concern about the long-term security of their benefits. He also refers to the judge in the Courage case who said that employees were entitled not to be irrevocably parted from surpluses by the unilateral decision of a takeover raider with only a transitory interest in the share capital of the companies which employed them.

I remember that Hanson in his chairman's signed statement in the annual report of December 4 1986 said: "The outlook is very good for Imperial Tobacco, Ross Foods and Youngs Seafoods, Lea & Perrins and HP Sauces. They will provide an excellent return for Hanson Trust long into the future..." Before the end of the year negotiations were completed for the sale of Ross-Youngs, followed in May by the sale of HP Foods/Lea & Perrins.

The sale of these companies was merely a continuation of a process of acquire-and-resell which began with Courage and now leaves only Imperial Tobacco out of the group of companies that Hanson himself named for keeping "long into the future". Pensioner concern is understandable!

Michael Smedley,
Bericote Fields Farm,
Blackdown,
Leamington Spa, Warwickshire

UK COMPANY NEWS

Isosceles accounts are qualified

By Maggie Urry

THE ACCOUNTS of Isosceles, the leveraged buy-out vehicle for the Gateway food retail chain, published yesterday were qualified by Ernst & Young, the auditors, because Isosceles is in the process of a refinancing.

Mr David Smith, chief executive, said the group planned to increase its equity base by between £100m and £200m – "probably nearer £200m". Subject to this going ahead successfully, the auditors said, the accounts gave a true and fair view.

Mr Smith said discussions were continuing with the group's debt and equity partners. He said these were "about to come to fruition", adding that this meant probably by the end of the year.

New equity from existing shareholders plus the conversion of some of the £375m of mezzanine debt into equity was likely, Mr Smith said.

The refinancing process began in March when the group decided not to sell its Herman's chain of sporting goods shops in the US and its Scottish and north of England Gateway stores, which left it with a much higher level of debt than originally planned.

Ernest Sharp: group making plenty of dough

He said that there was no constraint on the business as the group was generating £250m of cash a year. Working capital requirements had been cut sharply and further savings would be made.

The Isosceles accounts cover the trading period ended April 28, and also released yesterday were results for the first quarter of the current year. No comparable figures were available, Mr Smith said.

After paying interest of £147m in the 13 month period – which includes 40 weeks trading from Gateway – the group lost £33.2m. In the first quarter of this year Isosceles made a £2.8m pre-tax profit after interest of £41.5m.

Mr Ernest Sharp, chairman, said "we are making plenty of dough but it is ending up in other people's profits."

At October 1 the group's senior debt amounted to £1.09bn. Of this £675m is carrying a maximum interest rate of 12.2 per cent. A further $400m is fixed at 2 percentage points over US inter-bank interest rates.

The £375m mezzanine debt pays interest at between 2.5 and 3.5 per cent above London inter-bank offered rate. The cut in base rates announced yesterday would save about £8m a year from the group's interest bill, Mr Smith said.

In the Gateway chain operating margins had improved by about 1 percentage point, to 6 per cent in the first quarter of the new financial year, Mr Smith said.

In the quarter operating profits were £40.6m on sales of £678.4m. Progress had been made in cleaning up the stores, developing a new format, and finding a solution to excess space in the group's 13 superstores.

Mr Smith said Isosceles still planned to sell Herman's but not until it was trading more profitably.

It made an operating profit of $2.6m in the first quarter compared to a $3.9m loss. In the accounts it is treated as an investment held for disposal.

Bid talks at Tranwood abandoned

By Andrew Hill

BID DISCUSSIONS at Tranwood, the USM-quoted financial services group, have been abandoned less than 24 hours after the possibility was first announced.

At one point yesterday Tranwood's shares fell to just 1p, before recovering to close at 2p, down 2¼p. At that price the company is worth £1.7m, although its portfolio of investments has a book value of some £21m. Tranwood has about £10m of borrowings.

The shares were hit on Thursday by news that the group was withdrawing its interim dividend, and the Stock Exchange is likely to look at trades made in the last two days. Tranwood's shares rose to 7p immediately after the announcement that bid talks had begun.

Mr Peter Earl, deputy chairman, said yesterday: "The moment that we received formal notification that the potential bidder was not going to go ahead we made the announcement."

He added that the approach had arisen from discussions about the sale of some of Tranwood's investments. The potential buyer had suggested it might be easier to buy the group, which includes subsidiaries involved in investment management, corporate finance and investor relations.

Mr Earl stressed that Tranwood had not been forced to withdraw its interim dividend by its bankers. A dispute with other backers of a Bristol property project meant £3.3m Tranwood had counted on receiving by the end of September had not arrived.

"We have been advising a lot of companies which are close to collapse or need rescuing and we don't intend to go the same way ourselves."

Mr Earl also said that investments by Tranwood Consortium Fund were totally separate from the group's main business, although the fund is advised by Tranwood Earl, the corporate finance subsidiary.

In August the fund, which groups institutional investors for specific corporate situations, announced a rescue bid for VPI Group, the public relations company, and it also owns 51 per cent of Filofax, the personal organiser company.

Filofax yesterday announced that its first-half loss had deepened from £554,000 to £2.07m, after £964,000 of rationalisation costs, mainly provisions against the value of stocks. The loss per share was 14.4p (3.8p).

The group, which passed its interim dividend, said it was "very unlikely" to show a profit for the year, despite the rationalisation and its attempts to develop new, cheaper personal organisers.

TI pulls out of £128m deal in US after talks break down

By David Owen in London and Nikki Tait in New York

TI GROUP will not after all be adding the fluid components technology arm of US-based EG&G to its stable of specialised engineering businesses, following the breakdown of discussions between the two sides.

It was announced in August that TI would pay $240m (£128m) for the businesses, which specialise in engineered seals and aircraft engine exhaust systems. The purchase would have been the group's biggest for three years.

Mr Mark Radcliffe, a TI director, declined yesterday to give details of where the sticking points lay, although he did say that "several issues were in dispute."

"When you get stuck into the nitty-gritty, things crop up and you are unable to resolve them," he said.

Questions concerning tax structure, personnel and two small joint ventures, "could be" among the disputed issues, he added. These were all identified in August as areas where details had still to be thrashed out.

A spokeswoman for EG&G would say only that the discussions had ended "by mutual agreement", after the two sides had come to an impasse.

TI shares fell 6p in early trading before rallying in the late market upsurge to close ahead 14p at 398p. EG&G edged down ⅛ to $34⅛. This is the second time in three years that a sizeable transaction involving TI has been called off at an advanced stage, although Mr Radcliffe played down the comparison between the two situations.

In October 1987, the group abruptly pulled out of its agreed $144m (£88m) acquisition of Bundy, the US manufacturer of small diameter tubing, because of the uncertain economic outlook following the collapse in share prices.

The group eventually revived its Bundy bid, successfully offering $155m (£85m) for the business in March, 1988.

In London, analysts were far from dismayed by the withdrawal, suggesting that TI might be more comfortable with net cash on its balance sheet as economic conditions deteriorate.

Their US counterparts were similarly sanguine. The prevailing feeling was that TI's offer – $30m more than a rival offer from NOK, the Japanese oil seals company which has a number of joint ventures with EG&G – was very generous and that, given the declining outlook for the commercial aerospace sector, the British company may have been seeking reasons to withdraw.

"I'd guess it was TI's doing – they'd be looking at the economic conditions out there, and it was a very, very strong price," commented Mr Lawrence Borgman at Dillon Read.

Analysts were also equivocal over whether the businesses will now be sold. They pointed out that EG&G had not put the operations up for sale, but had responded to interest from NOK, in turn generating the offer from TI.

However, one analyst suggested that EG&G itself may be on the acquisition trail very shortly, and that the non-receipt of TI's money might cause some "dislocation" – although he stressed that the company's financial strength should allow it to tap other funding sources.

Miss World leaves Trans World in loss

By Andrew Jack

EXCEPTIONAL PROVISIONS against the ill-fated Miss World contest knocked Trans World Communications, the USM-quoted radio and leisure group, into the red with a pre-tax loss of £1.17m for the six months to June 30, compared with a profit of £1.57m.

The pre-tax figure was also struck after doubled interest costs of £575,000 (£287,000), and an exceptional charge of £434,000, against a credit of £634,000. There was also an extraordinary charge this time of £419,000.

The results announcement knocked the share price down 70p to 95p on the day.

The Miss World beauty pageant might not be screened this year, said Mr Oyston. There is currently no venue, he said, and no television rights have yet been negotiated.

A charge of £1.24m was taken above the line to cover expected Miss World losses for the year. The actual loss for the period was £350,000 (£152,000) on turnover of £112,000 (£253,000).

Higher interest charges reflected the increase in debt to £9m with the purchase of Piccadilly Radio in April 1989. Mr Oyston said the board was planning "significant asset disposals" to reduce borrowing.

The exceptional charge covered the full costs of launching three "split frequency" radio stations this summer. The extraordinary item included the £157,000 cost of its failed merger talks with Yorkshire Radio Network earlier this year, with the balance for the investment losses from the company's 26 per cent stake in Radio Radio.

Operating profit from the eight radio stations was almost static at £1.08m (£1.01m) on a turnover of £5.44m (£5.26m). All stations reported profits and audiences were rising, said Mr Oyston, but "advertisers are not spending".

There was no prospect of an improvement in radio advertising and "a rigorous cost cutting programme is being put into place", he added.

The loss per share was 10.7p (earnings of 11.9p). There is no dividend.

Saatchi receives apology

By Alice Rawsthorn

SAATCHI & SAATCHI, the marketing services group, yesterday received a formal retraction and apology from the Periodical Publishers Association over a warning issued by the PPA to its members that Saatchi might be going into receivership.

On Thursday afternoon Mr Ian Locks, chief executive of the PPA, the trade body representing the magazine publishing industry, telephoned the finance directors of some PPA members. He told them that the PPA had heard rumours suggesting that Saatchi was likely to call in the receivers.

This caused consternation in the magazine industry. Saatchi, which owns two of the UK's largest advertising agencies, is one of the industry's biggest customers. The rumour then swiftly spread across the advertising and media industries.

Saatchi, which emphatically denied the rumours, discussed the issue with its lawyers on Thursday evening. It threatened legal action against the PPA unless Mr Locks unconditionally withdrew his comments.

Yesterday morning Mr Locks sent a letter to the PPA's members containing a complete retraction of his comments and a formal apology to Saatchi.

Saatchi has been taking steps to stabilise its finances since the arrival of Mr Robert Louis-Dreyfus as chief executive and Mr Charles Scott as finance director earlier this year. They have since secured assurances from Saatchi's banks to secure lines of credit until January 1993 and have reduced net debt from a peak of £279m to £200m.

In an interview with the FT earlier this week Mr Scott said he felt "more confident" about the group's finances than at any time since his arrival. Saatchi is now considering ways of restructuring its £212m Euroconvertible preference issue.

Brent Walker and one of its brokers part company

By Maggie Urry

BRENT WALKER, the highly-leveraged leisure group, yesterday parted company with Panmure Gordon, one of its joint stockbrokers. The other, Smith New Court, will continue as sole brokers.

The group's shares, which had fallen early yesterday on concern about the £1.1bn of debt the group has, recovered sharply when news of the base rate cut came through. Brent Walker closed up 11½p at 107½p.

Panmure refused to comment on its resignation beyond that it was by mutual agreement. However, Smith New Court has been alone in arranging the convertible capital bond issue Brent Walker is planning, and it is thought Panmure now longer had a role.

Listing particulars for the £108m bond issue are expected to be published in the middle of next week, rather than this weekend as had been hoped earlier.

Details of the £30m management buy-out from Brent Walker of the distribution business of Goldcrest, the film company, are expected shortly. Other asset sales are expected to follow as Brent Walker struggles with its £1.1bn of debt.

RKF shares dive 30% on £4m loss and no interim

By David Owen

RKF GROUP, the USM-quoted mini-conglomerate, has reported a substantial first-half loss and passed its interim dividend (1.5p).

The group attributed its poor performance to weak residential and commercial property markets. "This has left us with unsold properties and higher-than-expected borrowings at a time of high interest rates," said Mr Bob Francis, chairman.

The pre-tax losses for the six months to June 30 totalled £4.14m (profits £2.49m). The current year figure included exceptional charges of £2.86m relating to a property provision and discontinued businesses.

Interest payable soared almost four-fold to £1.82m (£472,000). The shares lost 30 per cent of their value in sliding 7p to 16p.

Turnover climbed by 31 per cent to £27.65m (£21.12m). At the operating level, profits plunged to £541,000 (£2.96m). Losses per share amounted to 7.89p (earnings 4.27p).

The group said that it expected its materials handling division to be sold or wound down over the next six months. Further the sale of the Mark heating businesses would reduce borrowings by about £5.6m and produce an improvement of £2.4m in shareholders' funds.

Asda £73m convertible Eurobond issue

By Simon London

ASDA, the retailing group, yesterday made a £73m issue of convertible capital Eurobonds in a move that will cut balance sheet gearing.

The company announced its intention to make a convertible bond issue in October last year, when it acquired 60 Gateway superstores for £705m. However, the issue was delayed by the poor performance of the group's share price, which slipped as low as 87p earlier this year, against last night's closing price of 118p.

Mr Philip Smith, group treasurer, said the issue would be used to repay short-term bank borrowings, cutting net borrowings from £920m to £847m for gearing of about 72 per cent.

The bonds pay a coupon of 10¾ per cent and convert into Asda ordinary shares at 125p. On full conversion, the issue represents an increase of a little less than 5 per cent of Asda's ordinary share capital, enabling the group to make the issue without offering clawback to existing shareholders.

Issued at par, the bonds were taken up mainly by UK institutional investors and were trading at less ⅛ bid, well inside full fees of 2¼ per cent.

The issue was made through joint lead managers Cazenove & Co and SG Warburg, the institution which pioneered the convertible capital bond structure. The bonds are issued into the Euromarkets like straight debt securities but are accounted for as an equity equivalent. They are recognised as debt for the purposes of tax.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brompton Hldgs §....int	1	Jan 1	nil	-	2
Ewart ....fin	nil	-	1.5	nil	2.25
Expedier Leis § ....int	0.5	Jan 2	nil	-	nil
Filofax § ....int	nil	-	0.75	-	0.75
Lawtex ....fin	nil	-	1.5	0.5	2
Marylebone Est §....int	nil	-	1.5	-	3
RKF Group § ....int	nil	-	1.5	-	3.75
Scottish TV ....int	5.75	Nov 30	5	-	25
Trans World ....int	nil	-	4	-	12

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	93		R4.7	3.3	6.7	6.1
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	-	4	3	Finlan Group 1p	3½		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	44		u0158%	5.1	3.4	8.0
-	F.P.	-	24	19	JF Fledgeling Jap. Wrnts	19		-	-	-	-
100	F.P.	-	98	76	Jupiter Euro Inv Trust	77		-	-	-	-
-	F.P.	-	38	21	Do. Warrants	23	+2	-	-	-	-
§108	F.P.	-	116	101	♦Lovercrest 5p	101		R4.05	2.4	5.3	8.1
-	F.P.	-	22	20	♦MMI 1p	22		11.0	2.4	6.1	8.5
†	F.P.	-	17	11	♦Paramount 2½p	11½	+½	-	-	-	-
-	F.P.	-	53	41	♦Pelican 20p	41		-	-	-	-
100	F.P.	-	90	83	River & Merc Smaller Co	84		R3.75	-	6.0	-
-	F.P.	-	26	18	Do. Warrants	20		-	-	-	-
§100	F.P.	-	102	90	Siam Select. Growth Tst	91		-	-	-	-
-	F.P.	-	36	28	Do. Warrants	30		-	-	-	-
225	F.P.	-	245	235	♦Standard Platform 10p	235		-	-	-	-
100	F.P.	-	102	93	TR European Growth Tst	93	-1	K1.0	-	1.4	-
40	F.P.	-	43	38	Do. Ptg. Sub. 1p	42	+1	F1.0	-	3.2	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or -
100	F.P.	-	101	75	♦Bluebird Toys 12pc Cr. Uns. Ln. 2005	77	+2
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	95p	
§	F.P.	-	90p	75p	Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p	82p	+1
100p	F.P.	-	114p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	113½p	+½
100	F.P.	-	107¾	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	106¾	+1¼
100p	Nil	-	¼pm	¼pm	Wace Grp. new 8pc Cnv. Pf. £1	¼pm	
100p	F.P.	-	105p	50p	Wyndham Group 9.375pc Cnv.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -
25	Nil	-	¼pm	¼pm	♦ATA selection	¼pm	
16	Nil	-	2pm	½pm	Greenwich Resources A 5p	½pm	
50	Nil	-	2½pm	1¼pm	Kynoch (G & G)	1¼pm	
220	55	23/7	86	33	[illegible]	57	+11

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings — Oct. 1
- Last Dealings — Oct. 12
- Last Declarations — Jan. 10
- For settlement — Jan. 21

For rate indications see end of London Share Service

Calls in Amstrad, Community Hospitals and Tuskar Res. Put in Maxwell Comms.

NEWS DIGEST

Interest knocks Kelt into losses

A MASSIVE rise in net interest payable from £17,000 to £5.71m has plunged Kelt Energy, the independent oil company, into losses of £5.41m in the year to March 31, against losses of £1.15m last time. All comparative figures are for the 15 months to March 30 1989.

Again no final dividend has been recommended and the preference dividend due today will not be paid because the company has no profits available for distribution.

Indeed, Mr Hubert Perrodo, chairman, said: "The company was only able to get through this difficult stage of its development with the support of its banks."

Turnover, however, climbed steeply, more than doubling to £29.66m (£12.52m), and gross profit was sharply ahead at £4.66m (£1.7m). This was knocked back though, by increased administration expenses of £4.36m (£2.83m), leaving Kelt with profits of £307,000 at the operating level, against losses of £1.13m.

Interest receivable was little changed at £1.49m (£1.39m), but the charge soared to £7.2m (£1.41m). Tax was almost doubled at £1.4m (£719,000) and losses per share totalled 3p (1.2p).

Scottish Television ahead by 13%

In spite of increases in the Exchequer Levy and the Channel 4 subscription, Scottish TV achieved interim pre-tax ahead 13 per cent.

Taxable profits for the six months to end-June were £3.44m (£3.04m) on turnover of £52.27m (£49.3m). Exchequer Levy was more than doubled at £3.44m (£1.36m) and the Channel 4 subscription came to £7.53m (£6.95m).

The results were helped by a lower exceptional charge of £590,000 (£2.28m).

Sir Campbell Fraser, chairman, said prospects for advertising revenue in the second half were difficult, but market share and overall performance should be steady. Programme sales in the full year would increase again.

Earnings per share came out at 19.47p (17.12p) and the interim dividend has been raised to 5.75p (5p).

Ewart declines 5% and passes dividend

Ewart, the Belfast-based group which leases and develops properties, showed a 5 per cent decline in pre-tax profit, moved into an attributable loss for the year ended April 30 1990, and is passing the dividend.

But the directors said they were satisfied the group could complete its present programmes. "We are poised to continue our growth and are confident that we can expand over the next few years and return to the dividend list." Last year the total payment was 2.25p.

Turnover fell to £3.77m (£8.95m). That produced a gross profit of £1.55m (£2.14m), while other income rose to £1.36m (£34,000).

Taxable profit came to £1.29m (£1.3m) and the taxed figure was £1.26m (£864,000) for earnings of 6.82p (4.9p). But after an extraordinary charge of £1.31m relating to the abortive acquisition costs for Switzer and provision against a loan to an associate, there was an attributable loss of £44,000 (profit £864,000).

West Kent Cold Storage continued to make a significant contribution to profits, and plans for the development and expansion of its site were in hand. The directors were encouraged by the continued buoyancy of the Northern Ireland property market.

$9.7m purchase for United Uniform

United Uniform Services, the uniform manufacturer and supplier, yesterday announced a return to profit in the first half of 1990 and a $9.7m (£5.1m) acquisition in the US.

Pre-tax profits were £421,000 (£236,000 loss) on turnover of £4.07m (£133,000). The improvement largely reflected one month's trading activities of Horace Small – acquired on May 30 – which contributed profits of £352,000.

Almost all of the businesses which contributed to the 1989 results have now been disposed of.

Earnings per share were 5.74p (32.46p losses).

The acquisition, made via Horace Small, is of Hub-Stinnette Uniforms, a privately owned distributor of uniforms and career wear and one of Small's major customers. Sales in 1989 were $14.9m and net operating income came to $600,000. Initial payment was $4m with further equal annual amounts totalling $5.7m payable over the next four years.

Recovery continues at Copymore

Copymore, the USM-quoted office equipment distributor, continued its recovery in the first half of 1990 by returning a pre-tax profit of £518,000.

That compared with a loss of £346,000. The group reported profits of £142,000 for the last full year.

Borrowings fell by more than £400,000 in the period but interest charges were doubled to £419,000.

Turnover rose to £17.15m (£14.9m). Earnings were 3p per share (losses 2.1p) and the interim dividend is again 0.8p.

Brompton Hldgs improves to £0.7m

Pre-tax profits at Brompton Holdings rose from £606,000 to £689,000 in the first half of 1990, a period which saw completion of the rationalisation programme by the disposal of non-core activities.

The effect had been to reduce significantly group borrowings and allow management to concentrate on the core activities of inspection and testing for the power, nuclear and oil industries.

There is an interim dividend – the first for five years – of 1p. Earnings were 2.4p (3.5p) after heavier tax.

Mr Paul Bristol, chief executive, said turnover rose from £18.66m to £24.09m, of which the core businesses accounted for £17.78m (£10.49m). That reflected organic growth of 30 per cent from existing businesses with the balance coming from Atkins Inspection Services, acquired in August 1989.

The chairman said major contracts awarded to the group included Sizewell B, Shell Todd Field and Mossel Bay, and they would begin to contribute to second-half earnings.

Geo Ingham gloomy on textile prospects

George Ingham, the worsted spinner, incurred a loss of £2,000 in the opening six months of 1990, after breaking even in the second half of 1989.

The loss came from turnover of £2.85m, and compared with a deficit of £95,000 on turnover of £2.8m for the first half of 1989.

Directors said considerable effort was needed to provide viable results. Until there was some alleviation of interest rates, the company would find it difficult to make significant profits out of the textile business.

Earnings per share were 0.1p (loss 3p) and the interim dividend is again 1p.

Lawtex posts losses of £375,000

The loss at Lawtex increased to £375,000 by the end of the year June 30 1990. Moreover, the final dividend is being passed.

The loss compared with a profit of £439,000 in 1989, and followed a first half deficit of £83,000. The interim dividend was held at 0.5p, but there will not be a final, against 1.5p. Loss per share was 9.6p (earnings 10.2p).

Turnover of the group, which makes umbrellas, leisurewear and babywear, fell from £17.3m to £16.57m. Mr Peter Schaefer, chairman, said although there had been moves to shift the emphasis away from umbrellas, the manufacture of those still accounted for a substantial portion of the whole business, and "demand declined massively".

Clinton Cards in the red midway

Shop relocations and higher interest charges pushed Clinton Cards, the specialist retailer of greeting cards, into the red for the half year ended July 28 1990.

But Mr Don Lewin, chairman, expressed confidence that the group was on course for another successful year, and is raising the interim dividend from 1.2p to 1.5p on capital increased by the £6.4m rights issue in May.

Pre-tax losses came to £173,000, against profits of £182,000. Turnover increased to £20.34m (£12.86m) and trading profits to £327,000 (£249,000). The loss per share was 0.76p (earnings 1.25p).

Marylebone Estates profits almost halved

Marylebone Estates Company, reported a fall in pre-tax profits to £1.07m in the first half of 1990, against £2.01m last time. The interim dividend has been passed.

However, Mr Leonard Phillips, chairman of this USM-quoted property investor and dealer, said he was "pleased" the company had remained in the black, given the difficulties in the commercial property market.

Gross turnover declined to £3.86m (£4.61m), though net rental income grew to £1.48m (£1.15m). Earnings per share were down at 1.4p (2.63p) and there was an extraordinary debit of £241,000 (nil) relating to compensation payable to two former directors, Mr Richard Owen and Mr Geoffrey Simmonds, who resigned in July.

Expedier advances 67% to £584,000

Expedier Leisure, which provides services to the sporting, entertainment and exhibition industries, saw an advance of 67 per cent in pre-tax profit for the first half of 1990.

And it was expected that the second half would benefit from a substantial contribution from Space-Time, acquired at the end of the period.

Profit of this USM-quoted group for the six months came to £584,000 (£350,000) from a turnover of £8.13m (£4.55m). Earnings were 1.8p (1.7p) per share and ordinary dividends are resumed with an interim of 0.5p.

Bostrom makes £1.5m acquisition

Bostrom, the vehicle seat manufacturer and specialist engineer, has agreed to buy Charles Snape, a presswork manufacturer, for £1.5m.

Bostrom is funding the acquisition by issuing 967,742 new ordinary shares, to be placed with institutions at 155p each.

Snape, based in Wolverhampton, had net assets of £924,000 at June 30. Pre-tax profits were £344,000 on turnover of £3.5m. Almost one quarter of turnover comes from sales to Jaguar.

Bostrom also reported it would place a further 574,425 new ordinary, raising £890,000, to reduce its borrowings.

ECONOMIC DIARY

TODAY: European Community foreign ministers meet informally in Italy. Main agenda includes preparation of European Community political union and the Gulf crisis (until October 8). Franco-German convention in Paris, speakers include Mr Francois Mitterand, French president and Mr Hans-Dietrich Genscher, German foreign minister.

TOMORROW: Austrian general elections.

MONDAY: Producer price index numbers (September-provisional). European Community economic and financial council meets in Luxembourg. European Community social affairs council meets in Luxembourg. European parliament in session in Strasbourg (until October 12). Meeting of the European Bank for Reconstruction and Development in London. Communist Party central committee in plenary session, Moscow. New York Stock Exchange seminar in Moscow (until October 10).

TUESDAY: Conservative Party annual conference in Bournemouth. Financial Times conference on "Investment opportunities in British broadcasting" at Hotel Inter-Continental, London. European Community internal market council meets in Luxembourg.

WEDNESDAY: French, Spanish, Portguese and Italian foreign ministers meet Maghreb counterparts in Rome to discuss regional co-operation in western Mediterranean. UN development programme and economic and social commission for Asia and the Pacific sponsor ministerial-level conference in Bangkok to work out a regional strategy on the environment in Asia.

THURSDAY: New earnings survey 1990, part B: analyses by agreement. Capital issues and redemptions (September). Eight Latin American presidents, the Group of Rio, expected to discues US President George Bush's trade initiative.

FRIDAY: Usable steel production (September). Quarterly analysis of bank advances (June-August). Retail prices index and tax and price index (September). US retail sales (September); producer price index (September). Meeting in St John's, Newfoundland, of trade ministers of US, Canada, Japan and European Community.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Friday October 5 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Oct 4 Index No.	Wed Oct 3 Index No.	Tue Oct 2 Index No.	Year ago (approx) Index No.	1990 High	1990 Low	Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (196)	720.99	+3.1	15.46	6.59	7.91	29.40	699.22	706.14	699.53	940.80	960.80 4/1	658.43 24/9	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (26)	945.95	+6.0	15.51	6.44	7.93	34.59	892.67	905.73	899.73	1098.35	1188.21 3/1	812.99 28/9	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (35)	1089.15	+3.8	19.36	7.32	6.74	50.99	1049.57	1055.91	1054.96	1522.07	1622.44 4/1	993.11 24/9	1951.50 16/7/87	71.48 2/12/74
4 Electricals (10)	1948.73	+1.8	14.43	6.84	8.48	73.06	1914.31	1920.07	1918.49	2707.14	2751.15 4/1	1805.85 24/9	3040.80 8/9/89	84.71 25/6/62
5 Electronics (26)	1614.48	+3.0	10.41	5.30	13.14	56.74	1567.95	1584.34	1561.70	2072.06	2044.72 9/1	1486.79 24/9	2308.22 19/5/89	1229.01 8/10/85
6 Engineering-Aerospace (8)	432.97	+2.4	15.54	5.56	7.73	15.17	422.65	430.27	427.51	0.00	502.42 13/6	399.79 24/9	502.42 13/6/90	399.79 24/9/90
7 Engineering-General (47)	371.91	+1.0	16.13	6.98	7.46	15.76	368.19	370.88	369.03	0.00	505.10 15/6	361.71 28/9	505.10 15/6/90	361.71 28/9/90
8 Metals and Metal Forming (8)	417.72	+3.1	27.28	7.99	4.46	17.02	405.06	408.45	401.65	483.45	515.57 4/1	384.09 24/9	[illegible]	49.65 6/1/75
9 Motors (13)	287.84	+3.6	17.75	8.25	6.56	14.26	277.96	281.68	279.71	377.74	403.90 4/1	260.41 24/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrial Materials (23)	1216.11	+2.0	13.85	6.70	8.35	56.53	1191.87	1199.62	1182.61	1773.82	1774.64 3/1	1105.20 20/9	1881.53 18/8/89	277.55 15/1/81
21 CONSUMER GROUP (176)	1194.40	+3.0	10.57	4.32	11.92	39.31	1160.13	1172.09	1159.22	1299.29	1357.65 3/1	1121.42 24/9	1417.92 4/9/89	61.41 13/12/74
22 Brewers and Distillers (22)	1473.51	+2.8	10.62	4.01	11.41	33.47	1433.79	1452.09	1415.63	1474.05	1650.55 20/7	1369.31 6/3	1650.55 20/7/90	69.47 13/12/74
25 Food Manufacturing (18)	1023.01	+1.6	11.35	4.77	10.86	24.61	1006.61	1014.48	1001.58	1154.42	1184.41 3/1	959.38 24/9	1220.42 4/9/89	59.67 11/12/74
26 Food Retailing (17)	2362.86	+2.5	10.10	3.53	12.61	50.82	2304.18	2321.33	2297.43	2428.17	2617.14 27/7	2180.04 30/4	2722.30 5/9/89	54.25 11/12/74
27 Health and Household (16)	2469.95	+3.1	7.19	3.01	16.50	47.38	2396.58	2425.58	2404.88	2497.13	2795.49 4/1	2166.10 24/8	2795.49 4/1/90	175.38 28/5/80
29 Leisure (32)	1185.45	+3.9	12.64	5.31	9.57	36.79	1141.38	1161.87	1148.27	1692.51	1717.22 9/1	1117.43 24/9	1845.77 8/9/89	54.83 9/1/75
31 Packaging & Paper (12)	486.58	+1.5	13.23	7.15	9.28	22.54	479.22	481.19	480.85	571.68	625.01 17/7	470.91 28/9	739.48 16/7/87	43.46 6/1/75
32 Publishing & Printing (14)	[illegible]	+2.0	12.51	6.52	10.01	118.55	2812.92	2805.23	2821.18	3611.84	3853.61 4/1	2764.16 28/9	5070.66 5/10/87	55.08 6/1/75
34 Stores (33)	774.80	+4.9	11.43	4.81	11.39	18.26	738.84	747.59	745.26	807.03	866.32 13/6	690.43 27/4	1160.58 29/7/87	52.63 6/1/75
35 Textiles (12)	410.15	+0.2	14.53	8.65	8.73	19.76	409.21	406.60	404.96	549.94	554.37 4/1	388.59 24/9	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (107)	996.37	+2.4	12.70	5.89	9.55	31.51	972.56	978.98	967.92	1166.66	1233.52 3/1	932.53 24/9	1233.52 3/1/90	58.63 6/1/75
41 Agencies (16)	1109.71	+3.5	9.79	2.99	12.40	22.00	1072.33	1148.12	1160.13	1586.19	1757.73 15/6	1051.28 24/9	1795.57 17/7/87	870.35 4/12/87
42 Chemicals (24)	1020.79	+1.9	13.01	6.53	9.08	46.25	1002.01	1007.79	995.06	1240.70	1335.87 14/6	940.57 24/9	1565.46 5/10/87	71.20 1/12/74
43 Conglomerates (15)	1340.80	+3.2	12.66	7.47	9.52	35.71	1299.77	1300.10	1288.85	1634.03	1722.31 14/6	1234.77 28/9	1819.46 11/8/89	975.19 10/11/87
44 Transport (14)	1845.39	+2.2	13.12	5.68	9.66	65.20	1805.10	1805.51	1791.39	2270.35	2458.00 4/1	1740.24 28/9	2554.69 12/7/89	90.80 29/6/62
46 Telephone Networks (3)	1109.80	+3.1	11.79	4.55	11.04	36.04	1076.92	1077.76	1055.97	1126.91	1290.72 3/1	1017.41 26/9	1290.72 3/1/90	517.92 30/11/84
47 Water (10)	1927.36	-0.1	16.00	7.03	7.03	68.12	1929.43	1939.19	1954.69	0.00	2079.08 16/2	1820.20 1/5	2079.08 16/2/90	1820.20 1/5/90
48 Miscellaneous (25)	1564.55	+2.1	13.38	5.75	8.58	61.39	1532.65	1540.75	1512.19	1976.75	1981.35 3/1	1445.37 24/9	2087.06 11/7/89	60.39 6/1/75
49 INDUSTRIAL GROUP (479)	1019.63	+2.8	12.22	5.31	10.02	30.96	991.56	1000.54	989.82	1185.47	1234.94 3/1	950.55 24/9	1273.71 5/9/89	59.01 13/12/74
51 Oil & Gas (21)	2409.25	+1.6	10.34	5.18	12.65	84.75	2372.21	2359.52	2339.27	2177.16	2528.70 3/8	2111.34 30/4	2528.70 3/8/90	87.23 29/5/62
59 500 SHARE INDEX (500)	1132.96	+2.6	11.92	5.29	10.37	35.28	1103.98	1111.41	1099.87	1269.37	1338.65 3/1	1068.52 28/9	1369.88 16/7/87	63.49 13/12/74
61 FINANCIAL GROUP (103)	699.11	+5.9	–	6.79	–	31.27	660.37	667.70	653.49	789.10	869.67 3/1	621.68 24/9	896.67 13/10/87	55.88 13/12/74
62 Banks (9)	753.35	+8.4	21.73	7.65	6.83	41.50	694.78	712.58	691.98	792.79	918.30 2/2	650.43 24/9	918.30 2/2/90	62.44 12/12/74
65 Insurance (Life) (7)	1352.02	+3.6	–	5.67	–	54.97	1305.48	1308.54	1282.19	1234.67	1519.19 29/6	1220.17 1/5	1519.19 29/6/90	44.88 2/1/75
66 Insurance (Composite) (6)	609.54	+6.1	–	6.96	–	27.35	574.75	577.28	563.05	651.63	763.09 2/1	526.46 24/9	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (8)	827.63	+1.6	10.82	7.81	12.88	40.46	814.80	820.75	800.86	1030.88	1194.74 4/1	757.78 24/9	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (7)	336.17	+0.4	–	6.09	–	12.31	334.76	334.79	328.57	417.02	502.02 8/2	319.38 24/9	547.59 12/10/87	31.21 7/1/75
69 Property (45)	913.28	+5.2	8.27	5.33	15.97	24.52	868.20	868.34	862.14	1278.72	1242.53 4/1	834.72 24/9	1398.87 5/9/89	56.01 20/4/65
70 Other Financial (21)	238.06	+0.7	11.80	7.33	10.92	10.30	236.32	235.19	235.10	351.74	350.59 4/1	233.78 1/10	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (66)	994.97	+1.0	–	3.97	–	24.36	985.36	991.48	988.67	1241.50	1323.81 4/1	954.21 28/9	1323.81 4/1/90	71.12 13/12/74
91 Overseas Traders (5)	1166.21	+2.3	12.33	7.91	9.65	59.65	1140.23	1139.41	1144.93	1394.99	1614.04 3/1	1079.53 24/9	1614.04 3/1/90	97.37 6/1/75
99 ALL-SHARE INDEX (674)	1026.04	+3.0	–	5.48	–	33.89	995.94	1003.28	991.56	1153.22	1226.83 3/1	962.09 24/9	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 4	Oct 3	Oct 2	Oct 1	Sep 28	Year ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX♦	2143.9	+73.5	2144.2	2033.5	2070.4	2087.0	2058.5	2030.8	1990.2	2277.5	2463.7 3/1	1990.2 28/9	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

PRICE INDICES	Fri Oct 5	Day's change %	Thu Oct 4	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	117.49	+0.98	116.35	–	9.71
2 5-15 years	123.67	+2.24	120.96	–	10.23
3 Over 15 years	125.56	+3.05	121.84	–	9.84
4 Irredeemables	140.98	+0.49	140.28	–	8.85
5 All stocks	123.56	+1.84	121.35	–	10.13
Index-Linked					
6 Up to 5 years	156.11	+1.74	153.44	–	2.46
7 Over 5 years	140.74	+1.70	138.38	–	3.12
8 All stocks	141.78	+1.71	139.40	–	3.06
9 Debentures & Loans	98.87	-0.10	98.96	–	8.99
10 Preference	73.04	-0.72	72.56	–	5.23

AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 5	Thu Oct 4	Year ago (approx.)	1990 High	1990 Low
British Government						
1 Low Coupons	5 years	10.69	11.01	10.29	12.36 2/5	10.36 2/1
2	15 years	10.69	11.00	9.59	11.94 30/4	9.58 2/1
3	25 years	10.69	11.00	9.44	11.85 30/4	9.52 2/1
4 Medium Coupons	5 years	11.67	12.05	11.09	13.58 2/5	11.03 2/1
5	15 years	11.11	11.50	9.891	12.45 27/4	9.97 2/1
6	25 years	10.86	11.22	9.49	11.98 27/4	9.65 2/1
7 High Coupons	5 years	11.69	12.13	11.21	13.67 2/5	11.17 2/1
8	15 years	11.42	11.76	10.11	12.76 27/4	10.17 2/1
9	25 years	11.25	11.51	9.65	12.27 27/4	9.78 2/1
10 Irredeemables†		11.07	11.12	9.50	11.83 30/4	9.66 4/1
Index-Linked						
11 Inflation rate 5%	Up to 5yrs.	3.46	4.24	3.71	5.48 20/7	3.46 5/10
12 Inflation rate 5%	Over 5 yrs.	4.21	4.33	3.65	4.39 27/9	3.60 4/1
13 Inflation rate 10%	Up to 5 yrs.	3.32	3.07	2.91	4.57 9/7	2.32 5/10
14 Inflation rate 10%	Over 5 yrs.	4.04	4.15	3.48	4.20 27/9	3.43 4/1
15 Debs & Loans	5 years	14.37	14.38	13.18	16.70 30/4	13.01 15/1
16	15 years	13.18	13.18	12.21	14.48 26/4	12.27 12/1
17	25 years	12.77	12.77	11.57	13.89 4/5	11.99 2/1
18 Preference		13.13	13.04	10.46	13.13 5/10	10.87 2/1

♦Opening index 2053.6; 9 am 2056.4; 10 am 2049.1; 11 am 2041.2; Noon 2037.5; 1 pm 2036.7; 2 pm 2036.3; 2.30 pm 2034.6; 3 pm 2038.9; 4.10 pm 2090.6; (a) 4.30pm (b) 2.35pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.

LONDON TRADED OPTIONS

THE STOCK index futures market responded very quickly to last night's dramatic news on UK base rates and European exchange rate entry, which arrived only a quarter of an hour before futures trading ended for the day.

Futures traders first heard the news in somewhat garbled form from a screen newsagency, and the premium on the FT-SE Index December contract raced ahead.

The contract was quoted at 2,235, a premium of about 200 points on the low point of yesterday's equity market.

By the close, however, the contract had steadied to 2,200 which represented almost exactly a fair value premium on the underlying equity market.

Futures traders saw this as a clear indication that dealers in the underlying equity sector were taking their lead from the futures during the hectic scrambling for stock at the close of the market.

There were complaints in the market of the serious effects on trading of releasing such important news during market hours.

"It was irresponsible," said one leading dealer.

Most market makers were on the bear tack when the news came, chiefly because of an uncertain start on Wall Street as it responded to the House of Representatives rejection of US budget-trimming plans.

Trading was further complicated by operations surrounding yesterday's closure of the equity trading account.

Rolls-Royce topped the list of traded options with 1,920 contracts, made up of 703 puts and 1,217 puts.

The December 180 puts were particularly active.

Next in the list came STC with 1,354 contracts comprising 994 calls and 360 puts. This was followed by Asda, with 1,162 contracts, comprising 344 calls and 818 puts.

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INTERNATIONAL COMPANIES AND FINANCE

TWA lays off 450 after sharp jump in fuel costs

By Nikki Tait in New York

TRANS WORLD Airlines, the deeply-indebted airline controlled by Mr Carl Icahn, said yesterday that it was laying off between 450 and 500 people immediately, and urgently considering the possibility of curtailing some flights.

The carrier stressed that the moves were being made in response to the sharp jump in fuel costs which have seriously affected the airline industry's already-flakey profitability.

Pan Am, another leading US carrier, has already announced heavy staff reductions and flight changes which are designed to cut capacity by 7.5 per cent next year.

TWA said that the present round of layoffs would affect management and clerical employees and would be spread across the group. The airline has about 33,000 employees worldwide.

The airline added that it was looking at the possibility of flight reductions, which in turn might have further repercussions for staffing. It expected to make a decision by the end of the month.

The US airline industry was plagued by over-capacity and rising costs before the Kuwait crisis, but the hike in fuel prices has severely affected the profits outlook for the second half of 1990.

According to one leading firm of consultants, the industry as a whole could be set to report losses of around $1.5bn this year, against a prospective profit of perhaps $500m ahead of the oil price rises.

Hewlett-Packard reorganises

By Louise Kehoe in San Francisco

HEWLETT-Packard, the electronics and computer manufacturer, has reorganised its operations and created a new "chief executive office" in moves aimed at streamlining management and linking product groups more closely to sales.

The new office of the chief executive will be shared by Mr John A. Young, HP president and chief executive officer, and Mr Dean O. Morton, HP executive vice president and chief operating officer. They will share responsibility for strategic and operational management in all major business organisations, the company said.

Mr Morton will assist Mr Young in carrying out the responsibilities of the chief executive. Previously, Mr Morton had dual responsibilities as chief operating officer and head of HP's former Computer Business Organization.

HP has now split its computer business activities, which with sales last year of close to $8bn account for two-thirds of the company's revenues, into two new units.

The newly formed Computer Systems Organization will have responsibility for most of HP's computer products including workstations, minicomputers and networking products. The organisation will also take over responsibility for HP's direct sales force, which had previously been managed by HP's marketing division.

Explaining the move, an HP official noted that it reflects the widespread convergence of workstations and minicomputers in networked computer systems. Most such systems are sold through HP's direct sales force.

"Our early commitment to open systems and standards anticipated a major industry shift that gives customers more freedom to mix and match workstations, multi-user systems and other hardware and software from various vendors," Mr Young noted. The reorganisation is intended to reflect this shift.

HP's new Computer Products Organisation will have responsibility for personal computer products and computer peripherals, including HP's popular laser printers. This organisation will also have responsibility for all retail and third-party distribution activities, the primary sales channel for PCs and peripherals.

The company also said it has created a new test-and-measurement organisation to lead the activities of its Electronic Instruments Group and Microwave and Communications Group.

Top-level management assignments are effective immediately, HP said. Sales and marketing changes will be phased in beginning November 1, 1990.

ENTel transfer deal hits snag

By John Barham in Buenos Aires

MANUFACTURERS Hanover has failed to clinch its deal to buy half of ENTel, Argentina's telephone company.

President Carlos Menem had set 6pm on Thursday as the final deadline for signing contracts transferring the company to Argentina's principal foreign bank creditors, Manufacturers Hanover Trust and Citibank.

Manufacturers Hanover and its partner Bell Atlantic made an eleventh hour announcement confirming that they were unable to provide all the $2.3bn in Argentine debt certificates as part of the debt-for-equity acquisition.

Manufacturers Hanover reportedly brought intense pressure to bear on the government to extend the deadline. President Carlos Menem was unmoved and later signed a decree awarding ENTel's services in northern Argentina to a rival consortium made up by J.P. Morgan, STET and France Cables et Radio, the Italian and French state companies and Perez Companc, an Argentine conglomerate.

The chaotic dénouement of President Menem's first major privatisation was foreshadowed several months ago, when unforeseen bureaucratic, legal and financial hurdles forced the Peronist to postpone ENTel's transfer.

The government has also had to put back the transfer sale of Aerolineas Argentinas, the national airline, to Iberia.

Nonetheless, Citibank, Telefonica de Espana and Techint, an industrial conglomerate, are to take over the southern zone of ENTel as planned. However, neither the Citibank or Morgan consortia have yet signed any contract with the government.

The three are negotiating under what terms ENTel will now be transferred. Neither Morgan nor the Public Works and Services Ministry would say how much the northern zone would now be sold for or how long the bank will be given to buy the debt certificates on the secondary debt market.

Government officials still hope to be able to transfer ENTel on Monday. October 8 is the birthday of Juan Domingo Peron, the founder of Peronism and the man responsible for nationalising much of Argentina's economy.

Swiss stock markets end fixed fees on brokerage

By William Dullforce in Geneva

THE SWISS stock exchanges, bowing to a government order, announced yesterday that on December 31 they would abolish fixed brokerage fees.

But the bankers' association said it was appealing to the federal tribunal (supreme court) against another government edict, ordering the banks to discard a convention that sets prices for securities custodian services.

These moves mark the final stages in a conflict dating back to April, 1989 when the Cartel Commission recommended the dismantling of 19 cartel-like arrangements which it said were "harmful to the capacity to adapt and the competitiveness of the Swiss banking system".

Last month the federal government ordered the banks to comply with the four recommendations which they had continued to resist.

Under pressure the three big Swiss banks agreed last week to dissolve on December 31 their underwriting syndicate, which has dominated the Swiss franc bond market for the past 40 years.

The bankers have warned that too rapid dismantling of cartel arrangements would create difficulties for many of Switzerland's 520 banks and more than 1,000 co-operative banks, whose profits have been assisted by the arrangements.

Mr Hermann Bodenmann, chairman of the Federal Banking Commission, acknowledged yesterday in an interview with a Swiss newspaper that the break-up of the big underwriting syndicate could accelerate the restructuring under way in Swiss banking.

Many smaller banks were facing earnings problems and the time was ripe for mergers and alliances to deal with the situation, Mr Bodenmann said.

Bankers' resentment over the speed with which their authorities are forcing through deregulation was reflected in the grudging and embittered terms with which the stock exchange association announced that from next year brokers will be free to fix their own commissions.

Abolition of the agreement would lead to a concentration of brokers contrary to the interests of investors and the economy, the association said.

The government had given the exchange authorities until the end of 1992 to act. It was unrealistic to believe that the brokerage agreement could be kept going through a transitional period, when everyone knew that it would end up by being abandoned, the association said.

Fiat link with CGE casts shadow on Italy

By John Wyles in Rome

THE FIAT Group's new alliance with Compagnie Générale d'Electricité (CGE) of France threatened yesterday to plunge Italy into a new bout of introspection about its management of public sector industries and future industrial strategy.

Despite Fiat's assertions to the contrary, the swap of share stakes and exchange of businesses with CGE has been universally interpreted by newspapers and politicians as a choice of France against Italy at a time of growing concern about the future of the national economy and about its ability to compete in European and world markets.

IRI, the state holding company, presented itself as the Italian option for Fiat in talks in June aimed not only at purchasing Telettra, the transmissions business which CGE is buying for L2,500bn ($2.18m), but also at achieving collaboration across a number of sectors. The bitterness felt by Mr Franco Nobili, the IRI president, at the final outcome was evident in a public statement issued late on Thursday. Recalling IRI's sale of Alfa Romeo to Fiat rather than to Ford four years ago, he regretted that "Fiat has not weighed those national interests which it invoked and gave substance to when it acquired Alfa Romeo, which Ford was about to buy".

Franco Nobili: bitterness evident in statement

IRI's hope had been to merge Telettra with its telecommunications manufacturing subsidiary, Italtel, so as to create a national manufacturer of European dimensions which, said Mr Nobili, would have been able "with excellent chances of success to confront the multinationals operating in the sector".

Instead, the merger of Telettra with Alcatel's Italian subsidiary, Face, will take primacy away from Italtel and establish the largest telecommunications manufacturer in Italy.

Mr Nobili's broader aim had also been to collaborate with Fiat in both the railway and aerospace sectors. But his freedom to manoeuvre and to offer anything resembling the CGE deal was totally constrained by the government.

Two years ago Fiat signalled its readiness to swap its railway equipment business – now bound for CGE – for Alfa Romeo Avio, IRI's turbo engine company. Political res[ista]nce blocked all progress o[n th]ese discussions and on [IR]I's broader plan for build[ing] an integrated railway equip[me]nt manufacturer by acqu[iri]ng Breda Ferroviaria from [EFI]M, the smallest and most [dis]astrously managed of the [thr]ee state holdings.

The governing coalition [pa]rties have squabbled loudly [th]is week because the chairm[an]ship of EFIM is to p[as]s from a Social Democrat t[o] a Socialist nominee, Mr Gaeta[no] Mancini.

This could make chan[ge] even more elusive since [a] transfer of Breda from EFIM t[o] IRI would be simply seen as [a] Christian Democrat gain a[t] Socialist expense.

The immense and growing anger in private business a[t] the political leadership of the public sector was reflected in a scorching leader in yesterday's Il Sole 24 Ore, which is owned by Confindustria, the main organisation of Italian industrialists.

GM's Saturn given low price

By Martin Dickson in New York

GENERAL MOTORS has annnounced extremely competitive prices for Saturn, the new car it will introduce to the American market later this month in the company's most important product launch in years.

Saturn, which is entering the extremely crowded small car market, has been given a base price as low at $7,995 – about $1,000 below rival Japanese models.

The car is of immense importance to GM's prestige, having been conceived in the early 1980s as an all-out American attempt to beat the Japanese in the small car market by starting from scratch – building a new car, in a new plant, using new labour practices and an entirely new dealer network.

It is being unveiled to the American press next week and will go on sale on October 25 on the West Coast, and in the South and South-east.

"These prices put us at a distinct competitive advantage against imports and import nameplates," said Mr Lloyd Reuss, General Motors president.

The company is also planning to offer buyers of the 1991 model their money back if they are dissatisfied within 30 days or 1,500 miles. The cars will also have a three-year 36,000 mile warranty.

Saturn aims to take some 80 per cent of its sales from non-GM brands, but it faces extremely tough Japanese rivals at a time when the US motor market is very weak.

Wall Street analysts believe that the car will prove a very strong competitor, produced in an impressive state-of-the-art plant, but with such low prices they question whether it will make any money for GM in the near term.

Daimler-Benz begins UK drive

By John Griffiths

DAIMLER-BENZ, the vehicles to aerospace group, has begun a restructuring process aimed at changing the way in which it operates, and how it is perceived, in key markets outside Germany.

One of the first of several holding companies it is setting up in markets viewed as particularly important for the group became operative in the UK this week.

The establishment of a corporate presence, rather than just marketing or assembly companies, in such markets is aimed at helping Daimler-Benz to be seen as a broadly-based, high-technology multinational, and to improve the quality and efficiency of decision-making.

Initially, the functions of the new companies will be limited. But they are expected to play an increasingly important co-ordinating and financial role as Daimler-Benz begins to exploit the broader business opportunities created by its major acquisitions of the past few years. For example, the UK has traditionally been most important to Daimler-Benz as a market for its cars and trucks, sold through a wholly-owned sales and marketing company, Mercedes-Benz (UK).

However, Daimler-Benz now also owns AEG(UK), the Slough-based subsidiary of the electrical and electronics group it acquired several years ago. Only last month, it also set up a new UK finance company, Mercedes-Benz Finance.

The equity of all three will be held by the London-based new company, Daimler-Benz Holding (UK), which became operative on Monday.

But Daimler-Benz is also seeking to become increasingly involved in aerospace business in the UK, including co-operation with British Aerospace, through its new Dasa aerospace subsidiary. These activities, too, are expected to come under the umbrella of the new holding company.

The operating companies will still be managed independently and their trading activities will continue unchanged.

Daimler-Benz said one of the main functions of the new company would be to make the most efficient use of the group's resources, especially cash management and currency transfers.

Other regional holding companies have also been set up in the US, Switzerland and Belgium.

Dr Reiner Ellenrieder, formerly finance director of Mercedes-Benz (UK), has been made managing director of the UK holding company.

Year-long cross-border bank talks called off

By Tom Burns in Madrid

AN AMBITIOUS cross-border deal involving a substantial exchange of branches between Banque Nationale de Paris (BNP) and Banco Bilbao Vizcaya (BBV), Spain's largest bank, has been called off after negotiations that lasted more than a year.

A statement issued by the Spanish bank said the deal had been cancelled because of technical difficulties in the valuation of assets. These difficulties had been aggravated by disparities in the Spanish and the French financial markets.

Under a protocol agreement signed between the two banks in July 1989, BBV would have ceded its affiliate Banco de Credito y Ahorro in return for BNP's Credit Universel subsidiary.

Each bank would have acquired up to 90 branches in each other's territory.

The breakdown of the agreement had been widely expected since before the summer. The exchange had been the brainchild of Mr Pedro Toledo, the former joint chairman of BBV, and it ceased to be a priority for the Spanish bank following Mr Todelo's death last December.

In the meantime Crédit Lyonnais has stolen a march on its French rival by acquiring the 111-branch network of Banco Comercial Espanol, a subsidiary of Spain's Banco de Santander, under an agreement announced last July.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990	Low 1990
Gold per troy oz.	$394.25	-10.50	$363.75	$420.25	$345.75
Silver Per troy oz	245.75p	-10.05	321.45p	323.50p	245.75p
Aluminium 99.7% (cash)	$1985	+80	$1802	$2227.5	$1380.0
Copper Grade A (cash)	£1476.0	-61.5	£1823.0	£1747.5	£1304.5
Lead(cash)	£430	+17	£457.25	£790	£413
Nickel (cash)	$9675	-600	$10370	$11375	$8075
Zinc SHG (cash)	$1434.5	+42	$1605	$1689	$1250
Tin (cash)	$6200	-250	$8475	$7020	$5785
Cocoa Futures (Mar)	£747		£726	£967	£622
Coffee Futures (Jan)	£614		£658	£757	£548
Sugar (LDP Raw)	$260.0	-11.2	$354.5	$386.4	$258.0
Barley Futures (Jan)	£116.70	-0.05	£110.25	£116.95	£103.45
Wheat Futures (Jan)	£118.70	+0.30	£112.50	£123.45	£111.00
Cotton Outlook A Index	80.40c	-0.35	82.60c	92.70c	73.70c
Wool (64s Super)	432p	-4	597p	580p	432p
Oil (Brent Blend)	$37.35y	-1.775	$18.47	$38.175	$15.575

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. y-November

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$32.60-2.70y	+0.75
Brent Blend (dated)	$38.25-8.35	+0.65
Brent Blend (November)	$37.30-7.40	+0.95
W.T.I. (1 pm est)	$37.70-7.75y	+0.85

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$419-424	+3
Gas Oil	$343-345	+7
Heavy Fuel Oil	$142-144	
Naphtha	$373-378	-2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$394.25	-2.75
Silver (per troy oz)♣	468c	-3
Platinum (per troy oz)	$451.75	+5.75
Palladium (per troy oz)	$101.25	+2.25
Aluminium (free market)	$1975	-20
Copper (US Producer)	139c	
Lead (US Producer)	45c	
Nickel (free market)	445c	-17
Tin (Kuala Lumpur market)	15.15r	-0.13
Tin (New York)	299c	
Zinc (US Prime Western)	73c	
Cattle (live weight)†	99.45p	-0.75*
Sheep (dead weight)†	125.03p	+3.88*
Pigs (live weight)†	76.72p	+0.36*
London daily sugar (raw)	$260.0v	+4.2
London daily sugar (white)	$308.5v	+4.5
Tate and Lyle export price	£245.0	+1.5
Barley (English feed)	£116.87y	
Maize (US No. 3 yellow)	£157	
Wheat (US Dark Northern)	£90	
Rubber (Nov)♥	51.50p	-0.50
Rubber (Dec)♥	51.75p	-0.50
Rubber (KL RSS No 1 Nov)	238.5m	
Coconut oil (Philippines)§	$270q	
Palm Oil (Malaysian)§	$285w	
Copra (Philippines)§	$195.0t	+2.5
Soyabeans (US)	£144.0	-2.5
Cotton "A" index	80.40c	
Wooltops (64s Super)	432p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct/Nov z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Dec	226.00	230.00	229.00	
Mar	221.40	222.20	226.80	220.00
May	222.80	223.40	225.80	221.80
Aug	223.20	225.60	225.00	
White	Close	Previous	High/Low	
Dec	301.0	300.5	305.2	300.5
Mar	296.5	299.0	303.5	296.8
May	297.5	299.0	300.5	
Aug	306.0	306.5	306.9	306.8
Oct	299.0	299.0	301.0	300.5
Dec	295.0	298.5	300.0	299.0
Mar	297.5	300.5		

Turnover: Raw1416 (4807) lots of 50 tonnes. White 1395 (2129)
Paris- White (FFr per tonne): Dec 1560 Mar 1595, May 1595, Aug 1620, Oct 1595

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Nov	37.45	35.92	37.60	36.50
Dec	35.95	34.80	36.00	35.10
Jan	34.25	33.10	34.25	33.80
Feb	33.00	32.00	33.00	32.75
IPE Index	36.45	35.21		

Turnover: 10328 (14405)

GAS OIL – IPE			$/tonne	
	Latest	Previous	High/Low	
Oct	337.50	329.50	342.75	330.50
Nov	326.75	318.25	328.00	319.50
Dec	317.50	311.25	310.00	311.00
Jan	306.00	303.00	308.50	304.00
Feb	290.00	286.00	292.00	290.00
Mar	271.00	267.00	275.00	270.00
Apr	259.00	257.25	262.00	259.00
May	259.00	256.00	259.00	

Turnover 13120 (15372)lots of 100 tonnes

SPICES
Nutmegs and mace saw no changes over the week, reports Man-producten. Industries are well covered for the coming 9 months. Sellers for later position are difficult to find at present low levels. Cassia, more or less same as nutmegs. Cloves: spot Europe US$2,775 a tonne [illegible]. Although new crop in Brazil expected to be smaller this year (about 2,500tonnes). Prospects in Madagascar and Zanzibar are good. Dec/Jan shipment can be bought at $2,500 cif. Pimento unchanged. Jamaica is offered at $2,450 cif. Since Mexico only at $1,345 no surprise if Jamaica will decrease their minimum export price.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	710	727	726	710
Mar	747	766	766	744
May	770	788	786	770
Jul	789	809	806	788
Sep	812	829	813	810
Dec	841	855	865	840
Mar	868	880	868	

Turnover: 3100 (2408) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 4 961.46 (962.36) 10 day average for Oct 5 974.83 (972.94)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Nov	596	600	610	595
Jan	614	618	626	610
Mar	601	611	617	600
May	612	624	627	612
Jul	626	639	640	625
Sep	636	655	655	637
Nov	655	673	669	

Turnover: 5539 (5961) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 4: Comp. daily 74.70 (74.46). 15 day average 75.50 (74.46)

POTATOES – IPE			£/tonne	
	Close	Previous	High/Low	
Nov	86.5		86.5	
Feb	100.0		100.0	
Apr	148.0	143.7	148.5	143.5
May	165.5	160.5	165.0	163.5

Turnover 395 (155) lots of 40 tonnes.

SOYABEAN MEAL – IPE			£/tonne
	Close	Previous	High/Low
Dec	114.00	116.00	114.00

Turnover 15 (21) lots of 20 tonnes.

FREIGHT FUTURES – IPE			$10/index point	
	Close	Previous	High/Low	
Oct	1224	1215	1236	1220
Nov	1295	1273	1300	1290
Jan	1292	1265	1300	1285
Apr	1288	1260	1290	1285
BFI	1171	1156		

Turnover 464 (494)

GRAINS – IPE			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	114.50	114.55	114.65	114.50
Jan	118.70	118.75	118.75	
Mar	122.50	122.40	122.50	
May	125.90	125.70	125.90	
Jun	127.50	127.35		
Barley	Close	Previous	High/Low	
Nov	112.40	112.45	112.40	112.35
Jan	116.70	116.60	116.70	
Mar	119.90	120.00		
May	121.00	121.15		

Turnover: Wheat 72 (359), Barley 33 (65).
Turnover lots of 100 tonnes.

PIGS – IPE			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Oct	100.0	100.5	99.0	
Nov	100.0	100.5	100.5	100.0
Jan	93.5	93.0		
Feb	94.0		93.0	

Turnover 85 (24) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 11,861 lots
Cash	1960-90	1987-92		1975-80		
3 months	1833-5	1840-2	1860/1850	1831-2	1847-8	74,088 lots
Copper, Grade A (£ per tonne)						Total daily turnover 14,711 lots
Cash	1474-8	1505-10	1495/1465	1484-5		
3 months	1417-8	1446-8	1432/1402	1427-8	1407-8	111,155 lots
Lead (£ per tonne)						Total daily turnover 2,580 lots
Cash	429-31	430-2	439/429	432-3		
3 months	421-2	421-2	425/413	424-4.5	415-6	10,986 lots
Nickel ($ per tonne)						Total daily turnover 1,296 lots
Cash	9650-700	9650-700	9675/9575	9600-25		
3 months	9275-300	9225-50	9300/9200	9225-50	9275-300	8,895 lots
Tin ($ per tonne)						Total daily turnover 1,188 lots
Cash	6190-210	6215-35	6160/6160	6155-60		
3 months	6240-50	6250-70	6250/6200	6190-200	6240-50	8,321 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,251 lots
Cash	1432-7	1400-5	1460/1430	1426-30		
3 months	1410-5	1387-90	1435/1398	1410-5	1405-10	19,407 lots

LME Closing £/$ rate: SPOT: 1.9475 3 months: 1.9210 6 months: 1.8957 9 months: 1.8678

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	394-394½	204½-205
Opening	393-393½	205½-206
Morning fix	393.00	205.590
Afternoon fix	395.60	206.203
Day's high	396¼-396¾	
Day's low	392½-393	

Coins	$ price	£ equivalent
Mapleleaf	404-409	210-213
Britannia	404-409	210-213
US Eagle	404-409	210-213
Angel	404-409	210-213
Krugerrand	393-396	204-206
New Sov.	93½-95½	48½-49½
Old Sov.	93½-95½	48½-49½
Noble Plat	467.15-464.45	238.20-241.95

Silver fix	p/fine oz	US cts equiv
Spot	245.75	471.50
3 months	254.70	480.90
6 months	263.50	490.35
12 months	280.20	509.50

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
550	48	71	2	9
600	13	38	17	26
650	2	19	58	57
Cocoa	Dec	Mar	Dec	Mar
650	71	118	11	22
700	39	85	29	40
750	20	60	60	64
Brent Crude	Nov	Dec	Nov	Dec
3600		330		
3650				
3700		300	135	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	393.6	392.3	396.0	394.9
Nov	395.7	394.5	0	0
Dec	398.1	396.9	400.7	396.5
Feb	402.2	401.0	404.5	401.4
Apr	406.1	404.9	408.0	404.5
Jun	410.2	409.0	0	0
Aug	414.1	412.8	0	0
Oct	418.3	417.0	0	0
Dec	422.6	421.3	421.0	421.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	447.3	442.1	451.0	440.0
Jan	452.3	447.8	456.0	460.5
Apr	458.1	453.6	461.0	457.7
Jul	463.5	459.0	466.0	469.0
Oct	469.0	464.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	466.7	466.8	467.0	467.6
Nov	468.9	469.1	0	0
Dec	472.8	473.0	476.5	471.8
Jan	475.1	475.3	477.0	477.0
Mar	483.1	483.3	485.5	482.0
May	489.9	490.1	490.5	489.0
Jul	496.9	497.1	499.0	496.0
Sep	504.3	504.5	0	0
Dec	514.6	514.8	516.5	513.5
Jan	517.8	518.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	131.10	128.55	132.00	128.70
Nov	126.55	124.65	126.20	126.20
Dec	122.05	120.60	122.55	119.90
Jan	118.95	117.70	119.00	117.80
Mar	114.15	113.10	114.70	112.50
Apr	112.70	111.90	0	0
May	111.15	110.35	110.80	110.30
Jun	109.80	109.05	0	0
Jul	108.45	107.75	0	0
Aug	107.15	106.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	37.96	36.93	38.00	37.25
Dec	36.75	35.62	36.75	36.20
Jan	35.20	34.36	35.30	34.75
Apr	31.40	30.89	31.70	31.10
May	30.40	29.91	30.60	30.05
Jun	29.50	29.02	29.70	29.10
Jul	28.35	28.25	28.90	28.30
Aug	28.00	27.61	28.20	27.50

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	10300	9992	400	170
Dec	10375	10057	400	290
Jan	10255	9962	260	110
Feb	9750	9527	9775	9670
Mar	9235	9072	9250	9150
Apr	8755	8617	8755	8705
May	8355	8292	8400	8350
Jul	8075	8002	8105	8060
Aug	8150	8052	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1241	1267	1277	1236
Mar	1290	1316	1323	1285
May	1321	1343	1351	1313
Jul	1350	1373	0	0
Sep	1380	1405	1385	1380
Dec	1421	1446	0	0
Mar	1446	1471	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	92.90	93.15	93.95	92.40
Mar	96.35	96.40	97.25	95.70
May	98.40	98.75	99.35	98.00
Jul	100.25	100.75	101.30	100.10
Sep	102.10	102.15	103.40	102.10
Dec	104.65	104.75	0	0
Mar	106.75	106.80	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	9.94	9.82	10.14	9.83
May	9.95	9.91	10.15	9.88
Jul	9.95	9.91	10.15	9.90
Oct	9.98	9.96	10.15	9.97
Mar	10.07	9.93	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	71.30	70.62	71.50	70.30
Dec	72.80	71.84	72.84	71.80
Mar	73.45	72.61	73.55	72.95
May	74.21	73.30	74.25	72.95
Jul	74.25	73.40	74.35	73.30
Oct	69.13	68.97	69.00	69.00
Dec	67.75	67.70	67.85	67.70

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	138.00	138.40	138.90	137.30
Jan	136.45	136.60	137.00	135.25
Mar	137.85	137.00	137.70	136.25
May	137.00	136.75	137.30	136.75
Jul	137.00	136.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 5	Oct 4	mnth ago	yr ago
1768.3	1765.0	1820.2	1855.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 4	Oct 3	mnth ago	yr ago
Spot	128.46	128.53	129.53	129.49
Futures	130.63	131.81	133.84	130.99

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	617/0	617/6	621/4	616/0
Jan	631/4	631/4	635/4	630/6
Mar	644/0	644/0	648/0	643/0
May	653/4	653/6	656/0	653/0
Jul	661/4	661/2	666/0	661/0
Aug	655/0	655/6	659/0	655/0
Sep	626/0	627/0	631/4	626/0
Nov	614/2	616/0	617/0	613/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	22.17	22.18	22.52	22.15
Dec	22.57	22.53	22.89	22.56
Jan	22.80	22.82	23.15	22.67
Mar	23.33	23.26	23.60	23.35
May	23.65	23.60	23.85	23.65
Jul	23.85	23.85	24.05	23.85
Aug	23.95	23.75	23.95	23.85
Sep	23.75	23.65	23.75	23.60

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	183.4	183.6	184.5	182.8
Dec	187.6	187.7	188.6	187.2
Jan	189.4	189.0	190.1	188.7
Mar	191.3	191.0	191.8	190.8
May	191.8	191.5	192.3	191.0
Jul	192.5	191.5	192.5	191.5
Aug	190.7	190.0	191.5	190.0
Sep	185.8	186.7	187.0	185.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	228/6	230/6	233/2	228/4
Mar	237/6	240/2	242/0	237/4
May	244/2	246/0	247/6	244/0
Jul	248/0	249/4	251/4	247/6
Sep	246/6	246/4	248/0	246/2
Dec	248/4	249/0	250/2	248/4
Mar	256/0	255/4	258/0	255/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	273/6	275/0	276/2	273/4
Mar	288/0	289/0	290/2	287/4
May	295/0	295/6	297/0	294/2
Jul	299/0	300/4	301/0	298/2
Sep	303/0	304/4	0	0
Dec	312/4	313/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	79.77	79.75	79.85	79.27
Dec	76.95	76.72	77.10	76.15
Feb	74.80	75.02	75.10	74.50
Apr	75.57	75.67	75.92	75.45
Jun	73.07	73.37	73.25	72.95
Aug	71.60	71.60	71.70	71.57
Oct	71.70	71.75	71.80	71.70

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	57.17	57.25	57.40	56.65
Dec	55.35	55.32	55.75	55.00
Feb	52.15	52.15	52.50	51.75
Apr	48.47	48.52	49.05	48.20
Jun	52.20	51.67	52.60	51.80
Jul	52.55	52.10	52.55	51.90
Aug	50.72	50.75	50.95	50.30
Oct	46.20	46.10	46.20	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	66.45	64.45	66.45	63.55
Mar	66.25	64.25	66.25	63.35
May	65.55	64.22	66.10	63.50
Jul	64.17	63.80	64.60	62.90
Aug	63.20	62.50	63.20	0

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound moves through DM3.00

STERLING rose sharply on the news that the UK has applied to join the exchange rate mechanism of the European Monetary System from Monday. The pound was trading around DM2.95 at the time of the announcement, in line with the proposed central rate against the D-Mark, but it soon rose above DM3.00 and gained ground against all other major currencies.

The British authorities propose to take sterling into the ERM with the same 6 per cent margin of movement enjoyed by the Spanish peseta. All other members of the system are confined to 2¼ per cent bands. This will give sterling a permitted range of DM2.88 to DM3.13, and the mood in London pointed towards a testing of the upper limit in the short term.

Dealers suggested that DM3.05 is probably an early target, based on technical factors, but that a move towards DM3.13 is likely, prompting further cuts in UK interest rates from Monday's level of 14 per cent.

Mrs Margaret Thatcher, the UK Prime Minister, tended to encourage hopes of a downward trend in rates when she said that signs of a reduction in inflationary pressures made it possible for Britain to join the ERM and cut interest rates by 1 per cent. She added that UK inflation would will move nearer to the European average in the coming months.

Mr John Major, the UK chancellor of the exchequer, said there would be no let up in the Government's firm anti-inflation strategy, and that the essential reason for joining the system was that "the exchange rate is right."

At the London close the pound had advanced to DM3.0125 from DM2.9300. Later in New York it moved up to DM3.0275. In London sterling also rose 3.65 cents to $1.9480, while climbing to SFr2.5100 from SFr2.4400; to FFr10.0950 from FFr9.8250; and to Y257.75 from Y255.75. On Bank of England figures the pound's index rose 0.4 to 94.1.

The dollar tended to benefit from the news that sterling is to join the ERM. The news led to some selling of the D-Mark and the Japanese yen to buy the pound. As a by-product, the dollar improved against the German and Japanese currencies.

The dollar rallied from a low of Y131.95 to finish in London at Y132.30, compared with Y133.95 on Thursday. In terms of European currencies it was generally firmer, rising to DM1.5470 from DM1.5335; to SFr1.2880 from SFr1.2765; and to FFr5.1825 from FFr5.1400. The dollar's index fell to 61.4 from 61.7.

Some foreign exchange and interest rates on this page were taken from dealings prior to the ERM announcement. Later currency rates appear in the table on the front page of Section One.

£ IN NEW YORK

Oct.5	Latest	Previous Close
£ Spot	1.9460-1.9480	1.9140-1.9150
1 month	1.08-1.06	1.03-1.06pm
3 months	3.08-3.05	3.10-3.08pm
12 months	10.1-9.98	10.2-10.0pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9480	1.9389	1.9215	1.9000	1.8605
D-mark	3.0125	2.9988	2.9746	2.9478	2.8991
French Fr.	10.095	10.062	10.007	9.9355	9.8570
Swiss Fr.	2.5100	2.4945	2.4740	2.4481	2.3991
Yen	257.75	256.50	254.25	251.75	247.05

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

POUND SPOT - FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

MONEY MARKETS

Rates cut to 14%

LONDON'S FINANCIAL markets were taken by surprise yesterday when the UK authorities announced a cut in interest rates and sterling's membership of the EMS.

From Monday the Bank of England's minimum lending rate will be 14 per cent, 1 per cent below the current level of bank base rates.

The formal posting of MLR ended in August 1981, but the authorities retained the right in appropriate circumstances to announce in advance the minimum rate which, for a short period ahead, would apply in any lending to the discount houses. This technique was last used in January, 1985. The UK banks said they will cut base rates to 14 per cent from Monday.

UK clearing bank base lending rate 15 per cent from October 5, 1989.

Three-month sterling interbank was steady at around 14$\frac{15}{16}$ per cent before the announcement, but immediately fell to 14-13¾ per cent compared with 14$\frac{29}{32}$-14⅞ on Thursday, while one-year money declined to 13$\frac{7}{16}$-13⅜ per cent from 14$\frac{5}{16}$-14¼.

Prices of short sterling futures on Liffe rose in line with the cut in cash interest rates. December delivery opened slightly weaker at 85.69, rising to a peak of 86.75, before closing at 85.93 against 85.72 on Thursday.

Day-to-day credit was in very short supply on the London money market. The Bank of England initially forecast a shortage of £1,200m, but revised this to £1,250m at noon. Total help of £1,283m was provided. An early round of help was offered and at that time the Bank of England bought £785m bills for resale to the market on October 25, at 14⅞ per cent. Before lunch another £150m bank bills were bought outright in band 2 at 14¾ per cent.

In the afternoon the authorities purchased £118m bills outright, by way of £1m Treasury bills in band 2 at 14¾ per cent and £117m bank bills in band 2 at 14¾ per cent. Late assistance of around £230m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £498m, with Exchequer transactions absorbing £105m, a rise in the note circulation £480m and bank balances below target £120m.

At the Treasury bill tender the average rate of discount on 91-day bills fell to 14.1447 from 14.2333 per cent and on 182-day bills to 13.5784 from 13.6922 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BANK RETURN

BANKING DEPARTMENT	Wednesday October 3, 1990		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	47,899,795	+	11,140,447
Bankers Deposits	1,712,462,358	-	57,185,208
Reserve and other Accounts	2,264,844,437	-	26,757,914
	4,039,589,585	-	72,792,670
ASSETS			
Government Securities	1,388,755,113	-	35,260,000
Advance and other Accounts	733,899,216	-	98,947,432
Premises Equipment & other Secs	1,908,073,397	+	61,468,512
Notes	3,620,898	-	43,024
Coin	189,961	+	8,274
	4,039,559,585	-	72,792,570
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,706,379,102	+	10,043,024
Notes in Banking Department	3,620,898	-	43,024
	15,710,000,000	+	10,000,000
ASSETS			
Government Debt	11,015,100	-	
Other Government Securities	12,112,754,587	-	301,888,613
Other Securities	3,586,230,313	+	311,888,613
	15,710,000,000	+	10,000,000

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MIDLAND INTERNATIONAL CIRCUIT FUND
Societe d'Investissement à capital variable

The first Interim Dividend for the following classes of the above Fund has been declared by the Directors and are detailed below:-

CLASS	£/PER SHARE
UK Fixed Interest	0.066
Multicurrency Bond	0.045
US Dollar Liquidity	0.025
Sterling Liquidity	0.081

Registered Shareholders at the close of business on 30 September 1990 will receive the above payment in GBP or US$ (as requested) on or after 15 November 1990

إهداءات ٢٠٠٤ الأصول

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities *not* included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are *not* regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 1655

Guaranteed Export Finance Corp PLC 12¼% Gtd Ln Stk 2002(Reg) – £102⅝ (2Oc90)

Corporation and County Stocks
No. of bargains included 4

Greater London Council 6½% Stk 90/92 – £91 ⅝

Birmingham Corp 3% Stk 1947(or after) – £21 (3Oc90)

[illegible]

UK Public Boards
No. of bargains included nil

[illegible]

Commonwealth–Government
No. of bargains included nil

[illegible]

Foreign Stocks, Bonds, etc–(coupons payable in London)
No. of bargains included 33

[illegible]

Sterling Issues by Overseas Borrowers
No. of bargains included 32

[illegible]

Banks and Discount Companies
No. of bargains included 1724

[illegible]

Royal Bank of Scotland Group PLC Warrants to sub for Ord – 9

11% Cum Prf £1 – 86

Standard Chartered PLC 12⅞% Subord Uns Ln Stk 2002/07 – £94⅝ ¾

TSB Group PLC 10⅞% Subord Ln Stk 2008 – £83¾ ⅞ 4 ⅞

TSB Hill Samuel Bank Holding Co PLC 8% Uns Ln Stk 89/94 – £94

Warburg (S.G.) Group PLC 7¾% Cum Prf £1 – 70 (2Oc90)

Breweries and Distilleries
No. of bargains included 471

[illegible]

Commercial, Industrial, etc
No. of bargains included 11508

[illegible]

Financial Trusts, Land, etc
No. of bargains included 174

[illegible]

Insurance
No. of bargains included nil

[illegible]

Investment Trusts
No. of bargains included 698

[illegible]

Unit Trusts
No. of bargains included 14

[illegible]

Mines – Miscellaneous
No. of bargains included 141

[illegible]

Mines – South African

[illegible]

Oil
No. of bargains included 1882

[illegible]

Property
No. of bargains included 843

[illegible]

Plantations
No. of bargains included 11

[illegible]

Shipping
No. of bargains included 178

[illegible]

Utilities
No. of bargains included 6

[illegible]

Water
No. of bargains included 505

[illegible]

Paul Hldgs PLC 10% Cum Prf 50p – 55

6.25% (Net) Cnv Cum Non-Vtg Prf £1 – 44

9½% 1st Mtg Deb Stk 2011 – £74

Peel South East Ld 6⅞% Uns Ln Stk 97/97 – £70

10% 1st Mtg Deb Stk 2008 – £73 (1Oc90)

Scottish Metropolitan Property PLC 10⅞% 1st Mtg Deb Stk 2016 – £87½

Tendring Hundred Waterworks Co 4½% Deb Stk Red – £37 (1Oc90)

7¾% Red Deb Stk 91/93 – £78 (3Oc90)

West Kent Water Co 7¾% Red Deb Stk 89/91 – £0.88 (2Oc90)

12¼% Red Deb Stk 94/95 – £95 (1Oc90)

Wrexham & East Denb Water Co 3.5%(Fmly 5%)Cons Prf Stk – £600 (3Oc90)

Miscellaneous Warrants
No. of bargains included nil

[illegible]

USM Appendix
No. of bargains included 482

[illegible]

The Third Market Appendix
No. of bargains included 71

[illegible]

Rule 535(2)
No. of bargains included 7

[illegible]

Oil Search 23½

Playmates Hldgs HK$3.9 (2/10)

Rutgerswerke AG DM 5609 (1/10)

Saab-Scania Ser "A" SK175 (28/9)

Sky Line Explorers 40 (1/10)

Stride Rite Corp $24¼, 5¼

Teck Corp 'A' C$24⅞ (28/9)

Varn A$0.15872

Vamgas A$2.831 (2/10)

Westfield Minerals 30

Wiesor Industrial 43, 5

Wongs Intl. 12

By Permission of the Stock Exchange

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LONDON STOCK EXCHANGE

Base rate news spurs 73 point gain

THE UK stock market was caught completely unawares by the announcement, barely half an hour before the close of equity trading, that UK base rates had been cut and that Britain was entering the European exchange rate mechanism.

The news caused a wrenching change in a market still on a bearish trend during the earlier part of the session; a loss of around 30 FT-SE points at 4pm was transmuted into a net gain of 73.5 points to a closing level of 2,143.9, for the biggest daily gain of the year.

As share prices raced ahead, led by the futures market, where the FT-SE December contract touched 2,235 at peak, the stock exchange ruled that the equity market would remain open until 5.30pm, although official closing indices were calculated as usual at 4.30pm. Dealers said that while there were difficulties in identifying accurate price quotations, some further buying of leading shares was reported in late dealings when the Seaq screens were no longer active.

The market became a sea of blue when the ERM news reached the market, initially in somewhat garbled form. Share prices were quickly marked substantially higher, and a host of price backwardations immediately opened in leading stocks.

"Fast market conditions" were announced, indicating that price quotations were not firm because market dealers could not input new prices quickly enough.

The response was equally powerful in the UK government bond market, with early gains of half a point or so extended to about 2¼ points at the longer end. The bond market's views were mixed, with some analysts concerned that lower base rates will stoke UK inflation, while others held to the opinion that ERM exchange rate control would act as a discipline on domestic inflationary pressures. Index-linked stock, the market's inflation hedge, jumped 1¼.

Many market specialists believe that ERM entry makes the London market very attractive to non-UK investors, since the currency risk is effectively removed. With the institutions known to be "heavy with cash", a strong rise in equities is predicted next week: James Capel believes it could rise by 200 Footsie points and County NatWest, which turned bullish earlier this week, confirmed its forecast of FT-SE 2,350 by end-December.

In early trading yesterday, equities were depressed by expectations that Wall Street would open lower on the rejection by the US House of Representatives of plans to curb the Federal Budget.

Prices used for calculation of the FT-Actuaries Indices and shown in the London Share Service were taken at 4.30pm at the close of the normal mandatory quotation period.

Account Dealing Dates

First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 8.30 am two business days earlier.

Further slide in Standard

THE WORST performer in the Footsie was Standard Chartered, whose shares slumped during the morning and only rallied modestly later in the day with the rest of the bank stocks in response to the ERM entry news and the base rate cut. Behind the latest slide in the shares was a report that SG Warburg Securities had forecast that Standard would cut its final dividend for the current year. Warburgs declined to comment.

Standard reports its full-year figures next March. It paid an unchanged interim of 12.5p in August; last year's total was 35p. Standard has never previously reduced its dividend, nor have any of the "big four".

Standard shares have been sold in recent weeks, hit by worries about bad debts at home and abroad, but especially by its association with the beleaguered Polly Peck group. But share purchases by Mr Khoo Teck Puat, the Malaysian businessman, steadied the price over the past few days. Yesterday he announced that his stake has been increased to 14,125,500 shares or 6.38 per cent. Standard shares dropped to 260p, before ending a net 18½ off at 276½p; turnover was 8.2m.

Trafalgar placing

A placing of Trafalgar House stock took its toll on the share price yesterday. James Capel, the agency broker, attempted to place 2.6m shares late on Tuesday at 186p a share but was unable to do so. It succeeded yesterday morning at the lower price of 180p.

Despite speculation of an oversubscription for the stock, which Capel would not confirm, the market became uncertain and the shares dipped to 175p. A recovery ensued but amounted to little before the wider market moved higher in late trading. Trafalgar shares then stormed ahead amid frequent backwardations to finally sport a gain on the session of 21 at 211p.

A series of downgradings by analysts have weighed heavily on the UK construction-to-property group over the past three months. The major question mark over the company is whether the final dividend will be maintained.

Broker withdraws

Leisure group Brent Walker (BW), badly hit recently by worries about its debt burden, suffered a further bout of heavy selling pressure for much of yesterday after Panmure Gordon resigned as the company's joint stockbroker. Panmure was joint broker along with Smith New Court.

Panmure is also broker to Grand Metropolitan (Grand Met), the hotels and leisure company which is currently involved in a dispute with BW over an alleged shortfall in profits made by William Hill, the betting shops chain BW bought from Grand Met earlier this year.

"Obviously the William Hill situation put Panmure in a conflict of interest situation, but it was always recognised that Smith was the senior broker to BW," said a leisure sector specialist. Smith had carried out all the work on the recent £100m BW convertible issue.

There was also speculation that BW is selling its Goldcrest subsidiary to its management for around $50m. BW shares, down from a high of 376p this year, fell back to 87p before staging a strong rally to close 11½ firmer on the day at 104p.

Oil shares tended to underperform the market, despite a late rise in crude oil prices. Mr Steve Turner at Smith New Court said the ERM story was "not especially good news for oil shares because they are primarily dollar earners". The Smith analyst highlighted British Gas as the only "domestic play" in the sector. Gas shares moved up 9 to 226p.

BP rose 7 to 359p, a rise attributed to the stock's unrivalled liquidity in the market. "When fund managers are scrambling over themselves to buy the market they have to target the highly liquid shares," said a specialist. The marked underperformance of Shell, which earlier had fallen to 454p before rallying to close a fraction off at 463p, remained something of a mystery to the market.

Bank shares, which have been increasing their provisions for bad corporate and personal debt, were transformed by the ERM news and base rate cut. One dealer described the late trading activity as "an absolute nightmare". Barclays spearheaded the drive, closing 33 higher at 370p albeit in unspectacular turnover of 3.7m, followed by NatWest, which moved up 26 to 278p on 2.2m. Lloyds rose 18 to 273p, on 2.2m and Midland put on 15 to 212p, on similar turnover. Abbey National advanced 14½ to 214p and TSB 11 to 132p. Bank of Scotland shares, still celebrating their elevation to the Footsie Index this week, added 10 to 108p and Royal Bank 12 to 144p.

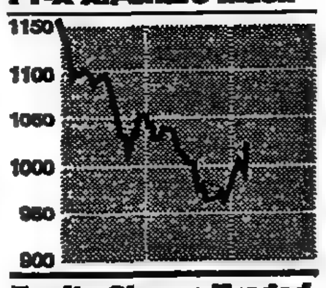
The cut in interest rates and subsequent surge in gilt-edged stock triggered a mark-up of the discount houses, where Gerrard & National added 8 to 278p and Union rose 4 to 515p.

Legal & General (up 14 at 397p), Lloyds Abbey Life (22 firmer at 316p) and Prudential (11 better at 215p) were the pick of life assurances, as were Guardian Royal (15 to the good at 199p) and Sun Alliance (19 up at 309p) in composites.

Building stocks were quick to react to the ERM news. Those to benefit included RMC Group, up 31 at 600p, and Redland, also 31 higher at 559p. Tarmac was also a major beneficiary at 245p, a rise of 34. Other stocks worried about the high cost of borrowing took cheer from the cut in UK base rates. Construction companies with heavy reliance on house building were rapidly marked up. Barratt Developments rose 5 to 97p while Beazer was 2 firmer at [illegible].

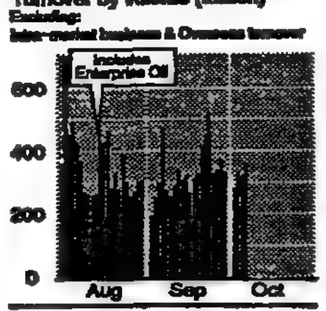
British Aerospace fluctuated within a range of almost 40, dropping to 539p at first and then rallying to close 23 up on the session at 577p. BAA, formerly British Airports Authority, bounded 12 ahead to 387p but British Airways succumbed to a UBS Phillips & Drew re-rating and fell to 137p before ending only 2½ off at 144½p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Analysts downgraded Alpha and Beta stocks across the whole spectrum of the market. Three investment banks, at least, were involved, reducing profits expectations for names such as British Steel, Dowty and many others. Mr Ian Lowe of Smith New Court lopped £37m from his forecast for British Steel, the new figure being £545m, and dramatically cut future year predictions. The shares, down initially, ended 4½ higher at 128½p.

Mr Bob Bucknall of the same house lowered his profit estimate for Lex Service to £29m from £39m. This reflected a tough car and truck market in the UK, said the researcher. "Lex will do well to break £30m this year," he added. The shares dropped to 174p before settling a net 12 lower at 186p.

Sights were also lowered on Siebe, which reacted to 290p prior to ending a net 5 off at 300p, and Bridon, 2 easier at 106p. BSG International was included but ended an overall ½ firmer 41½p. Dowty touched 178p but closed a net 4 higher at 182p.

Another report that the UK Government has pencilled in next September as a likely date for the sale of part or all of its remaining 48.7 per cent stake in British Telecom caused a tremor in British Telecom shares which dipped to 264p before closing 4½ higher at 273½p; turnover of 7.1m was slightly ahead of usual levels of activity in the stock.

A positive note issued by Mr Paul Norris at BZW prompted strong support for Racal Electronics which moved up 14 to 161p on heavy turnover of 6.2m shares. Mr Norris said an informal BZW survey of service providers revealed net additions during September of 12,500 for Vodafone, news which BZW said "will provide considerable relief to investors in UK cellular".

August proved exceptionally disappointing for Vodafone when the number of new subscribers fell to 11,000. Racal Telecom edged up 4 to 262p. STC, still helped by takeover stories, added 10 more to 281p.

Retailers bounded ahead on the improved prospects for consumer spending in the light of lower interest rates. Boots jumped 23 to 312p, Kingfisher 17 to 355p and Marks & Spencer 13 to 238p. There were big rallies in some of the more hard-pressed high street retailing groups such as Next, up 8 to 31p, and Burton, 7 higher at 63p.

By far the biggest turnover in the foods area — 18m shares — was in ASDA, shares of which held at 118p after news of the £73m convertible capital bond. Sainsbury added 13 at 317p and Tesco 8 to 235p.

Maxwell Communication again traded heavily, although below Thursday's unusually high level, and the shares slipped to a low for the year of 135p before rebounding smartly. Individual deals of 2m and 1.5m were reported on Seaq screens. The final count saw Maxwell up 3 on the day at 142p after volume of 8m.

Mr Brian Sturgess of BZW published a withdrawal of his earlier reported comment that the intended disposals by MCC were "a series of juggling acts between MCC and Mr Robert Maxwell's private vehicle to raise sufficient funds to meet the group's short term obligations of £415m".

Property shares were marked up sharply. British Land added 25 to 265p while Land Securities put on 22 to 495p, although marketmakers were quoting prices later well in excess of 500p after the close. Other leading stocks to benefit included MEPC, up 34 at 478p, and Hammerson 'A', 28 to the good at 563p. Rosehaugh ended 19 higher at 86p, while Stanhope, joint developer with Rosehaugh of the Broadgate and Ludgate schemes in London, added 2 to 73p.

Marylebone Estates reported pre-tax profits halved to £1m, and there was no interim dividend. The company continued to take a cautious approach, suggesting that full-year figures should be expected to reflect realistic property values. The price finished unchanged at 18p.

UK Land reversed part of Thursday's sharp declines, moving up 12 to 90p. The firmer tone reflected yesterday's announcement of a nominal 5,000 shares bought by the company on Wednesday at 50p for cancellation. The move, widely seen as a vote of confidence, left the company with 4.06m shares in issue.

The sale of its commercial radio interests to Radiotrust for £1.7m had an adverse affect on Crown Communications whose shares fell 13 to 74p. Mosaic Investments suffered similar misfortune, dipping to 290p prior to closing only 3 off on balance, following comments made about the current trading environment at yesterday's annual meeting.

USM-quoted RKF also headed lower to 18p, down 7, after passing the interim dividend and revealing a first-half loss.

Tranwood, the beleaguered financial services concern, stunned the market with the news that the bid talks, announced only a day previously, had been terminated. The shares went into free fall to ¾p before settling at 2p for a loss of 2¾ on the day.

Umbrella maker Lawtex lost 8 to 58p, having been as low as 53p at one point. The weaker tone reflected a small pre-tax loss for the year and the omission of any dividend payment.

TransWorld Communications slumped 73 to 85p after the radio broadcasting to Miss World group revealed an interim loss of £1,17m, omitted the interim dividend and forecast an equally difficult second half.

Water stocks were among the market's poorest performing areas amid persistent concern about possible changes to regulations on industry profits.

Anglian and North West were slightly easier at 236½p and 226½p, respectively, and Severn Trent was a penny down at 196p but Thames managed a gain of 3 to 223p, having been down to 218p at one point. The Water Package was £15 higher at £2,228, after £2,153.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 11.

FINANCIAL TIMES STOCK INDICES

	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.66	78.60	78.46	78.47	78.25	84.61	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.80	86.53	86.49	86.49	86.41	95.21	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1655.6	1601.3	1619.0	1594.7	1573.0	1857.8	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	184.8	185.9	184.3	184.8	188.9	208.0	378.5 (8/2)	167.9 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2143.9	2070.4	2087.9	2058.5	2030.8	2277.5	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.76	5.94	5.87	5.97	6.07	4.40				
Earning Yld %(full)	12.06	12.44	12.31	12.51	12.71	10.57				
P/E Ratio(Net)(☆)	10.05	9.74	9.85	9.68	9.53	11.40				
SEAQ Bargns 4.45pm	19,736	17,261	17,845	20,458	18,393	27,459				
Equity Turnover(£m)†	-	791.10	615.16	723.72	[illegible]1.10	1046.40				
Equity Bargains†	-	17,849	16,839	19,355	17,167	26,563				
Shares Traded (ml)†	-	357.9	322.1	334.9	284.1	397.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.80

Ordinary Share Index, Hourly changes — Day's High 1655.6 — Day's Low 1569.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1567.1	1588.5	1582.8	1575.2	1573.0	1572.5	1571.9	1573.4	1581.7

FT-SE, Hourly changes — Day's High 2144.2 — Day's Low 2033.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2053.8	2058.4	2049.1	2041.2	2037.5	2036.7	2038.3	2038.9	2050.4

GILT EDGED ACTIVITY

Indices*	Oct 4	Oct 3
Gilt Edged Bargains	77.2	81.3
5—Day average	85.2	93.8

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	1,800	144	
ASDA Group	18,000	118	
Abbey National	1,400	214	+14½
Allied-Lyons	1,400	472½	+20½
Amstrad	1,500	60½	+7½
Anglian Water	1,300	236½	−½
Argos	534	234	+10
Argyll Group	1,600	245	+6
Ass. Brit. Foods	305	466	−4
BAA	1,800	387	+12
BAT Inds.	2,100	582	+14
BET	1,800	207	+12
BICC	1,000	371	+7
BOC	1,000	467	+11
BPB Inds.	2,100	[illegible]	+10
[illegible]	[illegible]	[illegible]	[illegible]
Berisford Intl.	550	32	−2
Blue Circle	1,700	210	+12
Boots	2,500	312	+23
Brit. Aerospace	646	577	+23
British Airways	12,000	144½	−2½
British Gas	3,600	226	+9
British Land	223	265	+25
BP	4,800	359	+7
British Steel	7,900	128½	+4½
British Telecom	7,100	273½	+4½
Bunzl	263	[illegible]	+2
Burmah Castrol	450	612	+10
Burton	1,700	63	+7
Cable & Wire.	3,400	457	+29
Cadbury	1,100	320	+11
Calor Group	18	226	+5
Carlton Comms.	148	533	+6
Coats Viyella	1,400	167	−2
Comm. Union	1,700	465	+24

	Volume 000's	Closing Price	Day's change
Cookson	1,700	77	+4
Courtaulds	1,600	304	+2
Dalgety	717	365	+5
Dixons	2,400	139	+10
ECC Group	1,600	345	+14
Enterprise Oil	112	647	+4
FKI	627	42½	+½
Ferranti	1,800	17	+1
Fisons	2,100	378	+20
Gen. Accident	1,100	473	+25
General Elect.	10,000	185	+5½
Glaxo	2,300	814	+27
Glynwed Intl.	202	208½	+8½
Granada	1,800	141	+4
Grand Met.	3,700	573	+16
[illegible]	[illegible]	[illegible]	[illegible]
Hanson	11,000	201½	+2½
Hanson Warrants	1,000	48	+2
Harrisons Crosfield	1,000	141	+7
Hawker Sidd.	646	420	+2
Hillsdown	867	238	+9
IMI	82	202½	+3½
ICI	2,000	873	+33
Inchcape	354	324	+5
Kingfisher	2,400	355	+17
Ladbroke	2,000	268½	+20½
Land Securities	1,835	495	+22
Laporte	674	468	−8
Legal & General	1,100	397	+14
Lloyds Abbey	958	316	+22
Lloyds Bank	2,200	273	+18
LASMO	770	482	+2
Lonrho	423	216	+5
Lucas	2,800	158	+10
MB Group	415	165	+10

	Volume 000's	Closing Price	Day's change
MEPC	388	476	+34
Manpower	0	55½	
Marks & Spencer	3,000	238	+13
Maxwell Comms.	8,000	142	+3
Midland Bank	2,300	212	+15
NatWest Bank	3,400	278	+26
Next	4,300	31	+8
North West Water	2,900	230½	−½
Northern Foods	65	340	+2
Northumbrian Water	240	224	−4
Pearson	884	680	+5
P & O	1,700	588	+21
Pilkington	888	165	+14
Prudential	6,500	215	+11
RMC	730	[illegible]	+[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Reckitt & Colman	198	1235	+15
Redland	1,700	380	+31
Reed Intl.	1,100	392	+8
Reuters	3,000	775	+31
Rolls Royce	7,200	168	+8
Rothmans	140	716	+30
Ryl Bk Scotland	517	144	+12
Royal Insurance	2,200	408	+20
STC	2,700	281	+10
Saatchi	1,500	37	
Sainsbury	1,900	317	+13
Scottish & New.	1,100	207½	+10½
Sears	7,700	78	+8
Sedgwick	361	189	+7
Severn Trent Water	1,000	196	−1
Shell Transport	3,000	460	−1
Siebe	834	300	−5
Slough Ests	366	220	+10
Smith (W.H.) A	327	328	+6

	Volume 000's	Closing Price	Day's change
Smith & Nephew	2,000	104½	+1½
SmKl Beecham	1,300	590	+8
SmKl Beecham Units	0	472	+16
Smiths Inds.	590	211	+6
South West Water	777	216	−5
Southern Water	1,500	196	−6
Standard Chartd.	3,200	276½	−18½
Storehouse	164	128	+6
Sun Alliance	1,000	309	+19
Sun Life	41	1020	+2
TSW	275	154	+3½
TI Group	1,800	388	+14
TSB	2,100	132	+11
Tarmac	2,700	245	+34
Tate & Lyle	1,800	239	+10½
[illegible]	[illegible]	[illegible]	[illegible]
Trusthouse Forte	352	236	+10
Ultramar	829	357	+4
Unigate	44	[illegible]	+4
Unilever	884	845	+5
United Biscuits	389	334	+9
Utd. Newspapers	589	315	+17
Water Package Uts.	1	12228	+15
Wellcome	1,109	476	+39
Welsh Water	470	248½	+3½
Wessex Water	188	217½	−½
Whitbread "A"	329	426	+11
Wiggins Teape	1,300	163½	+3½
Williams Hldgs.	320	214	+16
Willis Faber	1,800	213	+1
Wimpey	641	186	+12
Yorkshire Water	205	241	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	81	1	11	347	13	105
Corps, Dom. & Foreign Bonds	6	0	15	26	5	74
Industrials	483	337	741	2,014	1,405	4,386
Financial and Props	219	145	376	974	663	2,063
Oils	21	25	43	109	130	210
Plantations	0	0	10	4	4	42
Mines	17	50	88	97	270	412
Others	48	79	93	279	346	475
Totals	875	637	1,377	3,850	2,836	7,767

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (14). BRITISH FUNDS (10) FOODS (1) TRUSTS (2) WATER (1).
NEW LOWS (235). AMERICANS (11) CANADIANS ([illegible]) BANKS (3) BREWERS (1) BUILDINGS (19) CHEMICALS (5) STORES (8) ELECTRICALS (16) ENGINEERING (12) FOODS (3) HOTELS (4) INDUSTRIALS (37) Abbeycrest, Anglo Utd., Avon Rubber, BSG Intl., Bridon, Clayhithe, Continuous Stationery, Cortee Beach, Doctus, Dyson (J. & J.) A, Elders IXL, Fenner, Fobel Intl., Glaves, Granada, Green (E.) & Partners, Handley-Walker, Holders Tech., Johnston Group, Lawtex, London Finance & Invs., Lynx, Mosaic Invs., Norfolk House, Optometrics, Pacific Dunlop, RKF, Reliant, Reuters, Scottish Heritable Tst., Security Archives, Siebe, Stratchley, Sonic, Vinten, Whitecroft, Wyndham, INSURANCE (1) LEISURE (12) MOTORS (7) NEWSPAPERS (3) PAPERS (14) PROPERTY (6) SHOES (1) TEXTILES (9) TRANSPORT (8) TRUSTS (34) WATER (9) OILS (4) OVERSEAS TRADERS (3) MINES (12) THIRD MARKET (4).

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday October 4 1990

Food Retailing	- 0.47	Banks	- 22.15
Water	- 1.98	Textiles	- 22.79
Oil & Gas	- 3.75	Transport	- 22.96
Brewers and Distillers	- 7.27	Financial Group	- 23.52
Stores	- 7.92	Investment Trusts	- 24.03
Insurance (Life)	- 10.82	Engineering-General	- 24.24
Health and Household	- 11.59	Capital Goods	- 24.60
Consumer Group	- 12.69	Insurance (Composite)	- 25.17
Engineering-Aerospace	- 13.04	Publishing & Printing	- 25.53
Packaging & Paper	- 14.04	Motors	- 26.05
Food Manufacturing	- 14.22	Electricals	- 28.17
Telephone Networks	- 14.85	Overseas Traders	- 28.93
Metals & Metal Forming	- 15.38	Property	- 29.59
500 Share Index	- 15.77	Merchant Banks	- 30.78
All-Share Index	- 17.33	Insurance (Brokers)	- 31.37
Industrial Group	- 17.76	Other Industrial Materials	- 31.43
Electronics	- 18.80	Agencies	- 31.46
Other Groups	- 19.22	Leisure	- 31.71
Chemicals	- 19.36	Contracting, Construction	- 32.37
Conglomerates	- 20.60	Gold Mines Index	- 39.86
Building Materials	- 21.86		

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-14	+55/32	11.48	12.16	12.46
		9.000	03/00	87-16	+88/32	11.17	11.82	11.77
		9.000	10/08	86-31	+97/32	10.83	11.19	11.16
US TREASURY *		8.750	08/00	100-13	-08/32	8.68	8.83	8.86
		8.750	05/20	99-09	-13/32	8.83	8.98	8.99
JAPAN	No 119	4.800	6/99	82.9177	+0.136	8.16	8.57	8.18
	No 129	6.400	06/00	92.1810	+0.054	7.84	8.25	7.82
GERMANY		8.500	08/00	98.3100	-0.170	9.08	9.12	8.97
FRANCE	BTAN	9.000	11/95	94.6422	-0.064	10.39	10.44	10.41
	OAT	8.500	03/00	88.0300	+0.150	10.55	10.59	10.37
CANADA *		10.500	07/00	96.1500	+0.300	11.15	11.23	10.78
NETHERLANDS		9.000	07/00	98.3200	-0.130	9.28	9.31	9.10
AUSTRALIA		13.000	07/00	97.1181	-0.419	13.53	13.63	13.66

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Gold price follows fall in oil market

DEVELOPMENTS IN the Gulf crisis and the consequent ups and downs of the oil price continued to be the key factors for precious metals markets this week.

President Saddam Hussein's weekend call for dialogue sparked a wave of selling by investors who had sought a safe haven in the gold market, and by Tuesday's close the London bullion market price was down $16 at $388.75 a troy ounce. But the price rallied strongly on Thursday in response to the US dollar's record fall against the Deutsche Mark, and despite being trimmed back yesterday (as the dollar recovered) it ended the week only $10.50 down on balance at $394.25 an ounce.

Silver followed a similar pattern, dipping to a 13-year low of 467 cents a troy ounce at one point before ending with an 11-cent loss on the week at 469 cents an ounce.

Platinum, increasingly seen as an industrial metal, now responds quite differently to oil price movements and the waxing and waning of recession fears, especially as the manufacture of automobile exhaust-cleaning catalytic converters has become the biggest single use of the metal. While the gold price was falling in the early part of the week the platinum price was climbing, and a fresh surge yesterday, influenced by unconfirmed reports of Swiss buying, took it to $451.75 a troy ounce, up $20 on the week.

At the London Metal Exchange the general trend was for prices to retrace at least some of last week's movements. The exception was the copper market, where the cash quotation lost another £51.50 to close yesterday at £1,476 a tonne.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+8,200	to 143,175
Copper	−725	to 186,200
Lead	−100	to 42,800
Nickel	−114	to 3,366
Zinc	+575	to 65,000
Tin	−30	to 11,920

That level was first reached on Monday as traders sold in anticipation of a substantial fall in exchange warehouse stocks being announced on Tuesday. About half the decline was recovered when only a very modest stocks fall was announced, but on Wednesday the market came under renewed pressure from options-related selling. A fresh attempt to consolidate, featuring general short covering, lifted prices again on Thursday, but with market fundamentals remaining basically bearish, yesterday saw a renewed fall.

The late surge of sterling, on news that Britain is joining the EC's Exchange Rate Mechanism, came after the LME had closed. But in kerb (after-hours) trading the three months copper price responded by falling a further £10 to £1,417.50 a tonne, after hitting an eight-month low of £1,401 at one point.

Lead, the LME's other sterling-denominated market, was also affected by the pound's strength. The three months position, which had closed yesterday at £421.50 a tonne, down £1.50 on the week, ended the kerb at £415.50 a tonne. In contrast the cash position was boosted by concern about tightening supplies and at the close was quoted at £430 a tonne, up £17 on the week. That meant that the £10 "contango" (cash discount against three months metal) with which the lead market ended last week had turned into a "backwardation" (cash premium) of £8.50.

This week's biggest loser was nickel, which fell to $9,400 a tonne in the cash position on merchant liquidation by Tuesday's close, despite a smaller-than-expected 36-tonne rise in LME stocks, before ending the week $500 down at $9,675 a tonne. Yesterdays's stocks report showed a 114-tonne fall to 3,366 tonnes, but traders were still expecting the total to be swollen by further arrivals of Soviet metal.

Aluminium, last week's biggest loser at $332.50 a tonne, registered the biggest rise this week with cash metal regaining $80 to $1,985 a tonne. But dealers said the rally was a response to the sharpness of the preceding decline rather than any change in the fundamental outlook. A $4.50 fall yesterday appeared relatively modest in view of an 8,200-tonne stocks rise to 143,175 tonnes.

At the London Futures and Options Exchange the March coffee price put on £19 during the first four days, but lost it all yesterday. Dealers were not surprised to see the rise erased, however. They had seen it as merely a technical correction, to a market that had become oversold in the preceding fall.

Sugar futures came under pressure as an EC prediction of record output this year underlined increasingly confident expectation of a world supply surplus. The London daily price for raw sugar slipped to $255.80 a tonne before rallying yesterday to $260 a tonne, down $11.20 on the week.

Richard Mooney

APPOINTMENTS

Moves at Midland Bank

■ Mr Gordon Marples has been appointed MIDLAND BANK's chief operating officer, UK corporate banking. He was corporate director, south east region, where he is succeeded by Mr Jim Roberts who was director, north west region. New north west director is Mr John Barnacle, previously corporate director for development construction and property finance. Mr Brian Wakefield becomes corporate director, East Midlands. He was with Smith Keen Cutler, Birmingham stockbroking subsidiary of Midland Group. Mr Terry Bellamy, corporate banking area manager, north Thames region, becomes the region's corporate director.

■ CHARTERHOUSE DEVELOPMENT CAPITAL has promoted to assistant director Mr Duncan Aldred, Mr Simon Drury and Ms Nicola Nicholls.

■ COURTNEY POPE (HOLDINGS) has appointed Mr Richard Shand as financial director. He was group finance director of the Headland Group.

■ HILL AND KNOWLTON has appointed Mr Antony Snow as deputy chairman in the UK. He was chairman and chief executive of Charles Barker. Mr Michael Glyn, finance director, is promoted to managing director (finance and administration), taking over some of the responsibilities of group managing director Mr Peter Rae who has been promoted to managing director and an executive vice president of H&K USA, New York.

■ Sir Peter Parker, chairman of Rockware Group, and of Mitsubishi Electric UK, has been appointed president of THE INDUSTRY COUNCIL FOR PACKAGING AND THE ENVIRONMENT.

MARTIN CURRIE UNIT TRUSTS has appointed Mr Ian Macpherson *(pictured)* as chairman. He is chairman and chief executive of Watson & Philip, and chairman of Low & Bonar, and succeeds Sir Gerald Elliot who has retired. Miss Joanna Younie, financial controller and compliance officer, has joined the board.

■ Mr Neil Murphy has been appointed group managing director of THE BUILDER GROUP, a publisher. He has been a main board director for 11 years. C.E.P. Communication, a French group which owns The Builder Group, has appointed Mr Brian Griffin to the board of C.E.P. UK.

■ SWISS RE (UK) has appointed Mr John Lockyer as deputy head of the life division from October 29. He was a senior consultant with Mercer Fraser.

■ CAULDON GROUP has appointed Mr Ed Kramers as group finance director. He was managing director of Coated Specialities.

■ Mr Thomas M. Hearn, retired president of G.L. Hodson & Son Inc, has become a non-executive director of R.K. CARVILL (INTERNATIONAL HOLDINGS).

■ Mr John Lindop, formerly company secretary of Northern Foods, has joined WISE SPEKE, stockbrokers. He will be based in Leeds.

■ Ms Janis Anderson has been appointed a non-executive director of FOCUSRITE AUDIO ENGINEERING. She is with Grosvenor Venture Managers, which recently invested over £500,000 in the company.

■ Miss Anne Carolyn Boyd, Mr Jeremy Fleming and Mr Robin Du Boulay have been appointed directors of STIRLING HENDRY & CO, stockbrokers, Glasgow, part of the Brown Shipley Group.

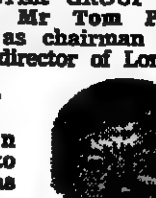
■ CSI WORLD TRADE, Reading, has appointed Mr Arthur Green as operations director. He was general manager at Tracs Europe.

■ Mr Alan Plant has become group company secretary, and Mr Peter Maltman becomes a non-executive director of VENTURE PLANT GROUP.

■ Mr Michael Lawless has been appointed director, Midlands and North West regions, of PROJECT MANAGEMENT INTERNATIONAL. He was director of the urban regeneration scheme of north east Birmingham.

■ Mr Jim White has been appointed general manager of ARTISTS GRAPHICS UK, Thame. He was managing director of Rapid Recall.

■ LONDON AND MANCHESTER GROUP has appointed Mr Tom Pyne *(pictured)* as chairman and managing director of London and Manchester Assurance Co in addition to his post as group finance director. Mr David Newman becomes chairman and managing director of London and Manchester (Pensions), and of London and Manchester (Managed Funds) in addition to his post as group pensions director. Mr Martin Jackson has been made general manager (finance) responsible for group accounting and tax. He was assistant general manager (group audit and compliance).



■ Mr James P. Barry has been appointed to the board of JOHNSON GROUP CLEANERS. He is a director of the US holding company, Johnson Group Inc.

■ DEC VIDEO COMMUNICATIONS, videoconferencing subsidiary of the DCE Group, has appointed Mr Iain McKeracher as managing director. He was group marketing director.

■ Mr Terry Chandler has been appointed deputy general manager of THE DOMINION INSURANCE CO. He was manager City division.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks

Admin: 0296 394000 Dealing: 0296 5[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
American Eagle	5	57.97	57.97	61.90	−0.25	[illegible]
Australia	5	5.896	5.896	6.314	[illegible]	[illegible]
Equity	5	136.8	136.8	146.9	−1.4	[illegible]
Euro Spec Sits	5	96.37	96.37	103.7	−1.7	[illegible]
Financial	5	[illegible]	[illegible]	25.83	[illegible]	[illegible]
Global Opps Inc	5	56.78	56.78	61.15	−0.02	[illegible]
Global Opps Acc	5	57.21	57.21	61.61	−0.02	[illegible]
Gold & Gen Inc	5	39.71	39.71	42.64	[illegible]	[illegible]
Gold & Gen Acc	5	74.01	74.01	79.47	[illegible]	[illegible]
Income	5	84.21	84.22xd	90.70	[illegible]	[illegible]
Japan & General	5	106.1	106.1	113.1	+3.0	[illegible]
Preference Share	5	16.92	[illegible]	18.25	[illegible]	[illegible]
UK Capital	5	74.82	74.82	80.71	[illegible]	[illegible]
World Income	5	52.18	52.18xd	56.05	[illegible]	[illegible]
Worldwide Capital	5	143.4	143.4	154.3	−0.8	[illegible]

Templeton Unit Trust Managers Ltd (1200)F

Abbot Crescent, Edinburgh EH3 [illegible] 031 228 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
Global Growth Acc	6	93.74	94.46	101.09	[illegible]	3.71
Global Growth Inc	6	90.06	90.76	97.07	[illegible]	3.71
Global Balanced Acc	6	94.11	94.62	101.19	[illegible]	[illegible]
Global Balanced Inc	6	87.68	88.15	94.27	[illegible]	[illegible]
Value Tst Acc	[illegible]	68.22	69.31	74.15	[illegible]	[illegible]

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	+ or −	Yield Grs
Amer Expt Oct 3	39.0	40.5	—	2.49
Euro Expt Oct 3	46.5	48.8	—	2.71
Fixed Int Ex Oct 3	42.7	43.9	—	11.50
Japan Expt Oct 3	38.6	[illegible]	—	0.88
Managed Ex Oct 4	36.4	37.8	—	5.50
SE Asia Expt Oct 3	56.2	57.9	—	3.64
Sm Cos Expt Oct 3	29.8	31.2	—	5.37
UK Eqty Ex Oct 3	35.3	37.0	—	4.40

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or −	Yield Grs
Small Co's Oct 3	587.8	630.6	—	[illegible]
Do Accum	653.7	701.2	—	[illegible]
Int Expt Oct 3	146.6	148.8	—	3.16
UK Index Oct 3	955.0	975.6	—	3.25
Do Accum	1009	1029	—	3.25
Convertible Oct 1	75.56	78.08	—	9.1
World ex UK Index Oct 1	611.1	619.2	—	2.67
Do Accum	611.1	619.2	—	2.67
Japan Index Oct 1	445.1	451.5	—	0.8
Do Accum	446.9	452.5	—	0.8
USA Index Oct 1	752.7	757.8	—	3.7
Do Accum	763.5	768.4	—	3.7
European UK Index Oct 1	774.5	798.4	—	3.2

American Life Insurance Co UK

2-8 Altyre Road, Croydon CR[illegible]

Avon Insurance Plc

Tiddington Rd, Stratford-upon-Avon

Barclays Life Assur. Co Ltd

252 Romford Road, London

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or –	Yield Gross
NUAM Funds				
Managed Fund	59.8	63.0	-0.5	–
Stock Market Mngd Fund	56.1	59.1	-0.6	–
Equity Fund	63.7	67.1	-0.9	–
International Fund	49.6	52.2	-0.2	–
European Fund	60.1	63.3	-0.6	–
North American Fund	48.6	51.2	-0.3	–
Pacific Fund	50.5	53.1	+0.2	–
Property Fund	87.3	91.9	....	–
Fixed Interest Fund	51.8	54.5	+0.2	–
Index Linked Sec Fund	58.2	61.2	+0.1	–
Deposit Fund	65.4	68.9	----	–
NUAM Retirement Plans				
Mixed Fund	64.6	68.0	-0.6	–
UK Ordinary Share Fd	73.0	76.9	-1.1	–
International Fund	53.8	56.6	-0.1	–
Property Fund	84.3	88.7	....	–
Fixed Interest Fund	61.5	64.8	+0.2	–
Index Linked Sec Fund	61.5	64.7	+0.2	–
Deposit Fund	75.7	79.7	+0.1	–
NUAM (INF)				
Managed Fund	848.4	893.1	-6.4	–
Equity Fund	1761.7	1854.5	-23.7	–
International Fund	131.0	137.9	-0.4	–
Property Fund	552.2	581.3	+0.1	–
Fixed Interest Fund	387.8	408.3	+1.2	–
Index Linked Sec Fund	59.2	62.4	+0.2	–
Deposit Fund	268.9	283.1	+0.1	–

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or –	Yield Gross
Unitised Life				
With Profits Fd	105.06	110.59	+0.03	–
Managed Fd.	80.63	84.87	-0.79	–
UK Ord Share Fd	83.10	87.47	-1.27	–
International Fd	73.42	77.28	-0.24	–
European Fd	83.30	87.69	-0.84	–
North American Fd	74.07	77.97	-0.49	–
Pacific Fd	63.97	67.34	+0.27	–
Property Fd	100.20	105.47	+0.01	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Individual Pension Funds				
UK Equity Acc	199.7	210.7	-3.2	–
UK Fixed Interest Acc	190.3	200.8	+0.5	–
Intl Equities Acc	192.7	203.3	-0.5	–
UK Managed Acc	163.3	172.2	-2.3	–
Property Acc	208.1	219.6	-0.4	–
Money Acc	148.2	156.4	+0.1	–
Special Market Acc	199.3	210.3	-1.8	–
Japan Equity Acc	144.4	152.4	+3.3	–
North American Acc	102.0	107.6	-1.4	–
Pacific Acc	142.6	150.5	+0.1	–
Technology Acc	118.7	125.3	-0.8	–
Natural Resources Acc	99.1	104.6	+0.1	–
Europeio Acc	103.9	109.7	-1.4	–
Residential Prop Acc	103.5	109.2	....	–
Swiss Equities Acc	31.2	33.0	-0.4	–
Hong Kong Acc	45.0	47.5	-1.4	–
UK High Inc Equ Acc	64.0	67.6	-2.5	–
Int Fixed Interest Acc	53.2	56.2	-0.9	–
Int Managed Acc	50.4	53.6	-0.1	–
Group Pension Funds				
Equity Acc	678.5	699.5	+1.4	–
Fixed Interest Acc	559.5	576.9	....	–
Managed Acc	116.8	119.1	-0.6	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or –	Yield Gross
Unit Fund (Mixed)	953.4	1001.1	-2.7	–
Equity Fund	216.0	226.8	-1.1	–
International Fd	119.1	125.1	-0.9	–
Fixed Interest Fd	155.7	163.5	+0.3	–
Property Fund	226.0	237.3	....	–
Index-Linked Fund	146.9	154.2	+0.3	–
Deposit Fund	155.4	163.2	+0.1	–
Pens Mixed (Ord) Fd	232.5	244.1	-0.8	–
Gold Pensions				
Discretionary Fund		113.3	-0.3	–
Equity Fund		111.4	-0.6	–
Fixed Interest Fund		113.9	+0.2	–

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or –	Yield Gross
North American Equity $	$7.87	8.46	----	–
Pacific Equity $	$6.81	7.33	----	–
Intl Currency $	$4.26	4.57	----	–
Intl Bond Fund $	$6.73	7.24	----	–
Gilt Fund £	£3.85	4.15	----	–
US Dollar Mngd Fd $	$1.57	1.69	----	–
Stlg Managed Fd £	£1.00	1.07	----	–

Target International Group

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 6XF. 01-836 4321

	Bid Price	Offer Price	+ or –	Yield Gross
Target Mngd Bond	184.3	194.0	-1.6	–
Target Mngd Pension	112.2	118.2	-0.3	–
Albany Life Acc	166.0	174.7	-1.5	–
Albany Pens Acc	205.4	216.2	-2.3	–

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dly)	$9.18	9.74	—	—
Mngd Portfolio (Stg)	£3.99	3.06	—	—
Baring Currency Fund Ltd				
US Dollar	$24.45		(z)	—
Sterling	£17.48		(z)	—
Deutschemark	DM37.76		(z)	—
Japanese Yen	Y3776		(z)	—
Managed	$40.48	42.56	(z)	—
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	[illegible]	[illegible]	—	—
Figart-Cousell Fund Mngrs (Guernsey) Ltd				
Hautevi[illegible]	SFr7.82	7.93	—	2.78
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3392	0.3625	+0.016	14.38
Govett Far East Inv	$0.869	0.929	+0.004	—
Energy & Resources	$0.706	0.755	+0.003	—
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$7.4408	7.9518	—	—
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Gilt High Inc	£9.815	10.354	+0.078	10.09
Intl Inv-Intl High Inc	$49.504	51.116	+0.424	5.54
Henderson Admin. (Guernsey)				
[illegible]	£0.908			—
Balanced Gwth $ Prtflo	$1.800	1.909	-0.008	—
Balanced Gwth £ Prtflo	£1.036	1.111	-0.006	—
Select Mkts $ Prtflo	$1.836	1.953	+0.004	—
Inc & Gwth $ Prtflo	$1.628	1.732	+0.020	—
High Income £ Prtflo	£0.577	0.610	+0.005	—
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	63.12	67.49	-0.86	2.87

	Bid Price	Offer Price	+ or -	Yield Gross
Saracen (Isle of Man) Ltd				
Far East Fd Sept 27		£11.50	—	—
UK Trend Sept 27		£8.25	—	—
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£7.69	8.32	—	—
Fleet Street Inv Fd	£6.97	7.41	—	—
Offshore Income Fd Ltd	£8.92	9.38	—	—
[illegible]	£9.05	9.53	—	—
Tattersall Intl Assets	£6.66	6.94	—	—
Tyndall International (Isle of Man) Ltd				
H.L Gilt/Building	97.3		(z)	—
(Accum Shares)	255.0	262.8	(z)	—
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	171.91	182.97	—	1.0

JERSEY (SIB RECOGNISED)

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.832	0.832	0.895	[illegible]	2.5
Global Income (Inc)	5¼	£0.365	0.395	0.427	[illegible]	4.4
Global Resources [illegible]	5¼	£0.355	0.365	0.386	[illegible]	1.3
Currency Fund						
Stg Premium Income [illegible]		£10.15	10.16		+0.01	14.0
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St., St. Helier, Jersey						
Tel: 0534 74609 (Dealing) 0534 75639 (Helpline)						
Facsimile: 0534 79040 Telex: 4192136						
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5	£1.044	1.054	1.119	[illegible]	—
North American	5	£1.378	1.414	1.3017	[illegible]	—
Japanese	5	£1.435	1.444	1.532	[illegible]	—

JERSEY (REGULATED**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

US MARKETS (3pm)

AUSTRIA

FRANCE (continued)

GERMANY (continued)

ITALY (continued)

SWEDEN

NETHERLANDS

SWITZERLAND

BELGIUM/LUXEMBOURG

NORWAY

DENMARK

SPAIN

CANADA (3pm)

FINLAND

ITALY

SOUTH AFRICA

GERMANY

FRANCE

JAPAN

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

MALAYSIA

SINGAPORE

INDICES

NEW YORK

DOW JONES	Oct. 4	Oct. 3	Oct. 2	Oct. 1	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2516.83	2489.36	2505.20	2515.84	2999.75 (16/7)	2427.48 (27/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.11	89.15	89.11	89.05	93.04 (3/1)	88.44 (24/9)	—	—
Transport	869.27	882.77	894.79	873.15	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.92	202.46	202.78	203.35	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2528.22 (2534.65) Low 2464.85 (2470.79)

STANDARD AND POOR'S

	Oct. 4	Oct. 3	Oct. 2	Oct. 1	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	312.69	311.40	315.21	314.94	368.95 (16/7)	300.97 (27/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	368.42	367.37	371.08	370.54	437.37 (16/7)	355.12 (27/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	21.06	20.89	21.44	21.59	31.87 (3/1)	19.88 (27/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	171.33	170.80	172.59	172.22	201.13 (16/7)	165.36 (27/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	308.14	309.25	309.63	308.44	382.45 (5/1)	305.43 (27/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	349.89	351.45	356.39	354.65	469.60 (16/7)	341.19 (27/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.28	Sep.21	Sep.14	year ago (approx.)
Dow Industrial Div. Yield	4.14	4.03	3.95	3.74

	Oct. 3	Sep.26	Sept19	year ago (approx.)
S & P Industrial div. yield	3.42	3.49	3.29	2.71
S & P Ind. P/E ratio	14.85	14.55	15.12	14.29

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Unisys	3,428,300	3¾	- ⅛
Navistar	3,418,900	2⅝	...
Philip Morris	1,914,400	48	- ⅛
Tenneco	1,877,400	45¼	- 4⅜
Baxter Int.	1,838,400	25½	+ 1¼
Citicorp	1,777,600	13⅞	+ ¼
Waste Mngmt.	1,764,400	32⅛	- 1⅞
Occ Pete	1,706,500	18⅛	- ⅞
Gen. Electric	1,632,600	54⅛	- ¼
Wal-Mart	1,555,300	27½	- ¼

TRADING ACTIVITY

† Volume (Millions)	Oct. 4	Oct. 3	Oct. 2
New York	145.410	135.490	188.320
Amex	9.225	11.223	16.012
NASDAQ	104.989	106.029	135.806
Issues Traded	1,964	1,961	2,005
Rises	729	557	998
Falls	778	956	581
Unchanged	457	448	426
New Highs	4	5	10
New Lows	144	99	76

CANADA

TORONTO	Oct. 4	Oct. 3	Oct. 2	Oct. 1	1990 HIGH	1990 LOW
Metals & Minerals	2869.50	2868.50	2888.45	2904.67	3453.05 (4/1)	2850.80 (23/4)
Composite	3175.95	3179.50	3191.38	3175.67	4009.47 (3/1)	3159.37 (28/9)
MONTREAL Portfolio	1694.35	1694.94	1699.84	1690.82	2060.90 (3/1)	1670.81 (27/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 5	Oct. 4	Oct. 3	Oct. 2	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1356.8	1368.5	1385.4	1406.1	1713.7 (12/1)	1356.8 (5/10)
All Mining (1/1/80)	676.6	680.7	689.0	699.1	860.8 (5/1)	676.6 (5/10)
AUSTRIA						
Credit Aktien (30/12/84)	419.12	428.71	431.51	439.59	703.29 (19/3)	408.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5113.78	5123.52	5134.41	5162.93	6599.43 (12/1)	4859.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	(u)	338.41	339.74	339.46	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	431.5	432.8	432.8	430.4	677.3 (23/1)	425.0 (26/9)
FRANCE						
CAC General (31/12/82)	421.08	425.68	426.10	431.76	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1543.60	1552.74	1566.50	1573.93	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	600.54	605.54	(c)	617.90	852.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1720.6	1735.2	(c)	1771.40	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1391.76	1422.35	(c)	1444.89	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2858.45	(c)	2862.55	2905.48	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1292.37	1286.14	1256.85	1219.93	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	570.18	579.08	579.50	578.68	763.52 (14/6)	554.30 (25/9)
JAPAN						
Nikkei (16/5/49)	22827.65	22278.19	22849.39	22898.41	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1680.67	1649.52	1670.05	1668.83	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3065.27	2994.09	2959.88	2917.02	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	470.76	467.32	468.42	475.83	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	228.8	232.6	235.4	235.2	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	168.0	170.8	172.9	172.7	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	767.08	781.45	782.93	790.37	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	514.80	515.39	549.66	537.77	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	312.36	312.72	313.83	319.04	446.87 (16/7)	307.36 (28/9)
SOUTH AFRICA						
JSE Gold (28/9/78)	1524.0	1552.0	1502.0	1500.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2666.0	2676.0	2655.0	2664.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	624.13	(c)	(c)	(c)	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	(u)	219.34	222.57	223.64	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	968.1	984.6	981.9	1009.5	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	643.0	640.8	645.0	646.2	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2771.40	2626.05	(c)	2993.75	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	672.98	671.99	713.85	704.51	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	445.5	445.4	446.8	571.0 (4/1)	423.1 (28/9)

**Saturday September 29: Taiwan Weighted Price: (c) Korea Comp Ex. 602.88

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

هكذا صدر الأصل

WORLD STOCK MARKETS

AMERICA

Dow bounces back from early 66-point fall

Wall Street

EQUITIES shrugged off an early morning sell-off yesterday on news that the budget proposal had been rejected, and at midsession stock prices were generally higher in moderate trading, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was up 9.90 at 2,526.73. On Thursday the Dow closed up 27.47 at 2,516.83.

Equities started on a shaky note, with the Dow plunging more than 66 points, triggering the so-called uptick rule which restricts computer programme selling. But stock prices started to recover as traders took advantage of falling equity prices to start buying.

But the underlying tone of the market was still uncertain, with declining issues leading advancing ones by seven to six.

In the bond market, the treasury's benchmark 30-year bond slid ⅜ to yield 8.83 per cent on fears that monetary policy might not be eased after the failure of the House of Representatives to ratify the deficit-reduction package. However, the long bond recovered later, and at midsession was up ⅛ for a yield of 8.78 per cent.

Trading was active in a number of UK equities listed in New York on news that sterling would enter the exchange rate mechanism of the European Monetary System. Beazer gained $⅝ to $7⅝, British Telecom $4 to $55, Cable & Wireless $1⅞ to $26⅝, British Petroleum $2⅞ to $82⅞, Racal Telecom $1¼ to $32, Hanson $⅞ to $19⅞ and Cadbury Schweppes $3 to $63⅞.

Hewlett-Packard improved $⅝ to $29⅝ after the company said it had realigned its computer-business activities.

Among featured stocks, Travellers Insurance fell $1⅞ to $18⅞ after the company said it would report a $500m net loss in the third quarter after pumping up reserves for property investments.

Reader's Digest slipped $1⅛ to $23⅞ although the company said it would boost its quarterly dividend to 15 cents from 12 cents.

In over-the-counter trading, the NASDAQ composite was off 0.51 at 349.38 at midsession. Reuters Holdings' American depository receipts recouped some of their losses made on Thursday, adding $3¼ to $43⅞ in active trading after plunging $4⅞ a day earlier.

MIPS, a chip designer and computer hardware maker, hit a 52-week low of $9¼, down $2¾, after it said it might report a modest quarterly loss.

Alliant Computer dropped $⅞ to $1⅞. Late on Thursday the technology company said it would report a third quarter loss from operations.

Mentor fell $1⅞ to $12⅞ in heavy trading. The company will take a second quarter charge of about 9 cents a share from restructuring.

Canada

TORONTO stocks recovered slightly at midsession from an early slump sparked by the US House of Representatives' rejection of the budget pact. The composite index lost 7.4 to 3,168.6 on volume of 15.33m shares. Declines led advances by 221 to 133.

TransCanada Pipelines, which was flat at C$15⅞, said it is planning a billion dollar expansion to supply an extra 340m cubic feet of natural gas a day at home and abroad.

EUROPE

Bourses rebound on news of sterling move

BOURSES which could, responded positively to the UK's entry into the exchange rate mechanism (ERM) late yesterday, although dealers did seem to have been caught short, *writes Our Markets Staff.*

PARIS rebounded from an early 2.6 per cent loss, closing little changed after the ERM-inspired rally in London and the recovery from opening lows on Wall Street. The CAC 40 index ended only 0.81 down at 1,551.93, after a day's low of 1,511.63, in thin turnover of about FFr1.67bn. The index rose 1.3 per cent on the week.

A few investors in Paris believed that the interest rate cut in the UK could spread across the Channel, said one dealer. He described the market's mood as more optimistic than in recent sessions.

CGE was again the focus, rising FFr2 to FFr533 in volume of 301,800 shares after Thursday's news of its tie-up with Fiat. In the banking sector, Société Générale fell sharply, losing FFr10.20 to FFr349.80; Thursday's good results from the state-owned Crédit Lyonnais underlined the poor performance of SocGen.

MADRID was at the mercy of international events, reaching its low after Wall Street's opening slide and recovering on the news of sterling's entry into the ERM. Dealers said there was no logic behind the bolsa's positive reaction to the UK news, but said that they did not believe that any subsequent small fall in the peseta would increase the pressure to raise Spanish interest rates.

The general index ended 0.06 down at 219.28, after closing the morning session 2.91 lower. It rose 4.7 per cent on the week. Turnover was thin, but believed to be above Thursday's 1990 low of Pta4.6bn.

FRANKFURT's big international blue chips were trading 3 or 4 per cent higher after hours, compared with a quietly dejected official close, said dealers in London. Siemens, Deutsche Bank and Volkswagen made prices of DM555, DM606 and DM405 respectively, having closed earlier at DM538, DM589.50 and DM389.

The DAX index closed officially 2.2 cent or 30.59 lower at 1,391.76 in response to the rejection of the US budget proposals overnight; this came after an attempt at a rally, and a decline of 5.00, or less than 1 per cent, to 600.54 in the FAZ. Volume was DM3.3bn after Thursday's DM3.4bn.

The week ended with the indices up 4.3 and 5.4 per cent respectively, after an 8.2 per cent rise in the DAX on the first two days.

MILAN slipped as Thursday's jump in Fiat's share price on the news of its link-up with CGE proved to be short-lived; the stock fell L167 to L6,620.

Its decision to link up with the French, and Ferruzzi's move to cut ties with Banca Commerciale, the state-controlled bank, fanned fears of a growing rift between Rome politicians and northern industrialists, which could damage the market's prospects. The Comit index fell 8.98 to 570.10, but rose 2.2 per cent on the week.

Telecommunications stocks dropped for the second day, on fears that CGE's takeover of Telettra would increase competition in the domestic market. Sip lost L44 to L1,161, Sirti fell L315 to L11,180 and Stet shed L110 to L1,945. Another potential problem facing Stet was its recent involvement in Argentina which was likely to need heavy investment, said Mr Filippo Lardera of UBS Phillips and Drew.

Banca Commerciale Italiana remained under a cloud, falling L160 to L4,615.

AMSTERDAM was frozen by a telephone breakdown at 13.25 GMT which led the bourse authorities to suspend trading. At the time of the suspension, the CBS Tendency index was 1.7 lower at 93.0, little changed from last week.

The market had opened lower following the US failure to agree on the budget pact. Akzo, the chemical company, was particularly hard hit as its prospects darkened. The stock slipped Fl 2.90 to Fl 86.80, its low for the year.

KLM lost 30 cents to Fl 20.90, following its warning that it would make a loss this year. Océ-van der Grinten, also under a cloud after its disappointing numbers, eased Fl 1.70 to Fl 56.20.

ZURICH recovered early losses to close mixed, Nestlé registered rising another SFr90 to SFr7280, 9.6 per cent higher on the week, as the company refused to comment on tales that it would be either the predator or a victim in a takeover bid. The Crédit Suisse index eased 1.5 to 496.7, up 3.7 per cent on the week.

STOCKHOLM's volume rose from SKr274m to SKr336m, with the accent on deals in SE Banken and Atlas Copco as the Affärsvärlden General index fell 16.5 to 968.1.

At that level, it was 6.4 per cent higher on the week, but this reflected a recovery from the previous week, when worries about finance houses took prices down by 14.3 per cent.

OSLO dropped to its low of the year after the US budget deficit news. The all-share index fell 9.31 to 526.71. ISTANBUL lost 3.5 per cent in turnover of TL114.6bn, up from Thursday's TL85.3bn; the index fell 191.76 to 5,309.50, still a rise of 4.4 per cent on the week.

SOUTH AFRICA

JOHANNESBURG stocks gave up much of Thursday's gains yesterday in quiet trading. The firm financial rand weighed on prices. Gold shares led declines; the all-gold index fell 28 to 1,524 for a loss on the week of 4.9 per cent.

ASIA PACIFIC

Strong yen and bonds lift Nikkei

Tokyo

A SURGE in the yen and a stronger bond market took share prices higher yesterday, although bad news from the US later trimmed the market's gains, *writes Michiyo Nakamoto in Tokyo.*

Expectations of an easier monetary policy in the US led to further strength in the yen. This was coupled with a fall in short-term interest rates and a rebound in bonds. Investment trusts did some index-linked buying; dealers stepped up buying for their own books; and foreigners came in for some bargain-hunting.

In late trading, news that the US House of Representatives had voted against the budget deficit reduction plan soured sentiment. The Nikkei average, which breached the 23,000 mark for an intraday high of 23,139.74, closed 549.46 higher at 22,827.65, up 8.7 per cent on the week. The day's low was 22,308.43.

Advances outpaced declines by 871 to 131, with 92 issues unchanged. Turnover rose from 300m to 450m shares, the Topix index of all listed shares added 31.15 to 1,680.67 and, in London, the ISE/Nikkei 50 index fell 19.52 to 1,322.47.

Despite the late US news, dealer buying supported the market towards the close and confirmed the growing consensus that the market was not likely to fall further from recent levels, according to an analyst at Schroder Securities.

Interest was widespread, from quality to speculative stocks. Among the former, precision engineers were firm with Konica, the camera maker, rising Y50 to Y1,090. Casio, famous for its calculators, added Y80 to Y1,080.

High-priced, high-tech issues continued to see strength, with Sony nearing Y7,000 with a gain of Y200 to Y6,950. TDK, which makes magnetic film, also rose Y200, to Y5,650, and Pioneer surged Y280 to Y4,780. Pioneer was favoured for strong sales of its laser disc players.

Other electricals came under pressure as fears of a US recession grew after the failure to agree on deficit reduction proposals. Hitachi was down Y30 to Y1,260. Among speculative issues, Honshu Paper, third in volume terms with 12.4m shares, added Y400 to Y4,200.

Sectors which had suffered heavily in this year's bear market began to attract attention. Steels and heavy industries saw favour yesterday. Kobe Steel topped the actives list with 19.9m shares and rose Y42 to Y525. Nippon Steel added Y5 to Y416 and Ishikawajima Harima Heavy Industries firmed Y20 to Y625.

Investors found pharmaceuticals attractive as they were not much affected by volatility on the markets. Sankyo climbed Y70 to Y2,390.

In Osaka, high-technology issues were the star performers. The OSE average rose 519.17 to 25,984.93. Turnover was better at 34.2m shares, up from Thursday's 19.7m. Nintendo, the maker of video games, posted a Y1,500 gain to Y28,500.

Roundup

MOST PACIFIC Rim markets lost early gains yesterday on news that the US House of Representatives had rejected the US budget proposal.

AUSTRALIA fell in the final half hour on news about the US budget. The All Ordinaries index ended 11.7 lower at 1,356.8, down 3 per cent on the week. Turnover eased to A$160m from A$174m.

News Corporation was hit hard, falling 28 cents to A$6.40, given the company's exposure to US interest rates and the US stock market. Moody's Investors Service said it might downgrade the long-term ratings on securities issued by guaranteed subsidiaries of News Corp.

SEOUL rose sharply after being closed for most of the week for a national holiday. The composite index closed at 624.13, up 21.25 for a gain of 4.4 per cent on the week. Volume rose to Won109.5bn compared with Won71.66bn in Saturday's half-day trading.

The market was lifted by the normalising of diplomatic relations between South Korea and the Soviet Union last week for the first time in 85 years. Reports that China will restore its diplomatic ties with Seoul next year further encouraged the market.

MANILA ended narrowly mixed on short-covering and speculation that the military rebellion in the southern Philippines might be resolved soon. The composite index shed 0.59 to 514.80, down 5.8 per cent on the week to the lowest level in 41 months.

NEW ZEALAND drifted lower for the third day in a row. The Barclays index closed 12.25 lower at 1,464.44, down 0.4 per cent on the week. Turnover eased to NZ$9.8m from NZ$12.3m.

HONG KONG lost early gains. The Hang Seng index fell 12.10 to 2,850.45, up 3.2 per cent on the week, after being up more than 27 points by midday. Turnover slipped to HK$810m from HK$884m. The market was closed on Thursday for a local holiday.

SINGAPORE had risen initially on news of an early general election in Malaysia but fell back in the afternoon. The Straits Times index eased 8.67 to 1,113.93, up 1.3 per cent on the week. Volume rose to S$62.32m from S$31.9m.

KUALA LUMPUR rose on news that a general election would be held soon. Speculative issues were in demand. The composite index rose 2.74 to 470.06, up 2.4 per cent on the week.

TAIWAN rose for the third day in a row. The weighted index rose 145.35 to 2,771.4. Volume rose to NT$18.89bn from NT$11.43bn.

Portuguese bolsa suffers as foreign attention wanders

Patrick Blum on the anxieties hampering Lisbon

IT HAS not been a good year for Portugal's bolsa and, as analysts look ahead, they find little to cheer about. High oil prices, the possibility of a war in the Middle East and the slowdown in activity in some of the world's leading economies are compounding anxieties about the impact of changes in eastern Europe, local inflation and high interest rates.

Portugal's capital market is heavily influenced by external events and the behaviour of international investors, who own about 50 per cent of shares according to value, and account for close to 70 per cent of turnover on the Lisbon and Oporto exchanges.

Mr Joao Rendeiro, an investment strategist with Gestifundo, the fund manager, says there have been signs for almost a year of a gradual change of attitude by foreign investors towards the Portuguese market – as a result of events in eastern Europe.

The change became more noticeable in June when, for the first time, foreign investors sold more shares than they bought. He says it is too early to judge if this is a trend but, if it is, that it could have a serious effect on the market.

The Gulf crisis casts a further cloud over prospects. "In the present circumstances and uncertain international environment, people tend to go for the established centres rather than to the small emerging markets," he says.

Privatisations were expected to boost the market, but the government's programme has unfolded at a slower pace than was initially hoped, providing only a momentary lift to the market with each of this year's handful of relatively small flotations.

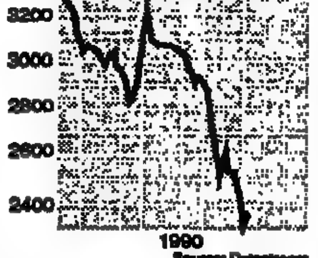
The successful sale at the end of July of another 31 per cent in Banco Totta e Acores, bringing private shareholdings in the bank to 80 per cent, raised expectations that the market could be picking up again, but the hoped-for recovery failed to materialise and the index continued its downward slide.

Since the beginning of the year the Banco Totta e Acores (BTA) index has fallen 30 per cent from a peak of 3,281 in January to 2,356.6 on Thursday (the market was closed yesterday) after two weeks of almost uninterrupted fall, during which it reached its 1990 low.

Trade volumes remained relatively stable throughout the year with turnover in shares averaging about Es600m ($4.4m) a day, but there are signs that the market is becoming increasingly influenced by large share movements between a small number of leading companies. Investors, including foreign institutions, have been switching their investments from one company to another, or selling their shares to buy bonds.

Portugal

Lisbon Banco Totta & Açores Index



Source: Datastream

Brokers report strong selling pressure on shares of construction and pulp companies, reflecting uncertainties about prospects in both sectors, and for selected stocks among financial institutions usually favoured by foreign investors. At the same time there has been speculative demand in a few companies where the ownership structure is expected to change in the near future.

Attention is now focusing on the part-privatisation later this autumn of the Banco Português do Atlantico (BPA), the largest state-owned commercial bank. BPA has been valued at above Es130bn, and it will easily dwarf in size other privatisations even though, in a first phase, the government intends to sell only 33 per cent of the bank's share capital.

Strong domestic and foreign demand was expected for stakes in the bank, but analysts have become more cautious. It is feared that investors could be discouraged by uncertainty about when and under what conditions the next phase of the bank's privatisation will take place, and by the government's decision to limit foreign purchases to a maximum 5 per cent of privatised shares. The forthcoming flotation will test the state of the market.

But, in spite of this background of doubts and uncertainties, foreign investors have not lost their appetite for Portugal. Direct foreign investment more than doubled in the first six months from last year's Es105bn to Es231.2bn. This was before the summer's troubles, but ministers remain optimistic about prospects for the whole year, forecasting that the volume of direct foreign investment will be at least twice as much as last year's record Es353bn.

The economy has continued to grow at a fast rate, with gross domestic product (GDP) growth expected to be about 4 per cent this year, and investment to rise by 10 per cent. Unemployment has dropped to 4.5 per cent. This has brought its own problems by boosting demand and private consumption with inflationary results. The government expects inflation to stabilise at about 13 per cent this year, three percentage points above its original target.

Mr Miguel Beleza, the finance minister, has dismissed alarmist comments about the impact of the Gulf crisis on the Portuguese economy, arguing that it will have only a marginal effect on inflation and growth. Next year's budget, now being prepared, is expected to tighten monetary policy and seek cuts in public spending – except on investment – in an effort to control inflation and reduce the budget deficit, which represents about 7 per cent of GDP.

With presidential and parliamentary elections due next year, it will be a delicate balancing act between economic and political considerations. In the end, external factors may yet upset the best laid plans.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 4 1990								WEDNESDAY OCTOBER 3 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	134.31	−1.1	104.16	113.64	107.09	107.07	−1.4	7.23	135.82	105.96	116.85	109.09	108.63	155.31	125.85	158.93
Austria (19)	190.41	−0.9	147.69	161.11	151.81	152.17	−1.4	1.79	192.11	149.91	165.28	154.21	154.31	285.63	178.57	166.23
Belgium (61)	133.27	+0.2	103.37	112.75	106.25	103.86	−0.2	5.58	132.95	103.74	114.37	106.72	104.10	160.02	126.67	142.37
Canada (120)	128.47	+0.1	99.65	108.59	102.42	106.89	−0.1	3.75	128.38	100.14	110.40	103.01	107.01	153.61	127.51	158.89
Denmark (33)	246.23	+0.5	190.98	208.33	196.31	196.06	−0.4	1.51	244.89	191.09	210.68	196.58	196.93	277.82	234.05	199.64
Finland (26)	103.67	−0.8	80.41	87.72	82.65	79.57	−1.6	3.44	104.63	81.57	89.93	83.91	80.85	152.29	100.43	124.98
France (123)	132.88	−0.3	103.06	112.42	105.93	107.13	−0.9	3.84	133.26	103.99	114.64	106.96	108.13	168.85	124.98	138.22
Germany (91)	110.08	−1.4	85.38	93.15	87.76	87.76	−2.1	2.56	111.64	87.11	96.06	89.61	89.61	144.63	101.38	102.50
Hong Kong (46)	117.07	+0.0	90.80	99.05	93.34	116.60	+0.0	5.66	117.03	91.32	100.68	93.95	116.60	147.49	112.24	110.44
Ireland (17)	153.44	+3.4	119.01	129.82	122.33	123.76	+2.9	4.22	148.34	115.75	127.62	119.07	120.25	198.57	139.04	162.33
Italy (91)	86.92	+0.8	67.42	73.54	69.30	74.64	+0.2	3.27	86.20	67.27	74.16	69.19	74.50	109.26	80.67	92.32
Japan (454)	118.29	+0.0	91.75	100.08	94.32	100.08	−1.6	0.84	118.24	92.27	101.72	94.93	101.72	197.28	106.58	185.27
Malaysia (35)	185.02	−0.1	143.51	156.54	147.51	192.22	−0.1	3.18	185.19	144.51	159.31	148.65	192.46	250.89	182.98	207.77
Mexico (13)	489.92	−0.2	379.99	414.51	390.59	1550.44	−0.3	0.33	490.88	383.04	422.31	394.04	1555.38	581.41	324.53	312.52
Netherland (42)	132.47	−0.4	102.74	112.08	105.61	104.57	−1.1	5.45	133.01	103.79	114.43	106.77	105.69	149.03	127.56	131.34
New Zealand (16)	56.36	−2.0	43.71	47.69	44.93	48.56	−1.6	7.15	57.53	44.89	49.50	46.18	49.34	75.38	55.62	82.11
Norway (28)	245.32	+0.3	190.28	207.57	195.59	198.87	−0.2	1.56	244.50	190.79	210.35	196.27	199.28	276.79	202.34	184.00
Singapore (25)	151.07	+0.1	117.17	127.82	120.44	121.80	−0.6	3.46	150.96	117.79	129.87	121.17	122.47	209.24	147.24	166.00
South Africa (60)	166.33	+1.6	129.01	140.73	132.61	138.51	+1.6	4.19	163.64	127.69	140.78	131.35	136.26	251.39	160.85	167.74
Spain (42)	137.49	−1.1	106.64	116.33	109.61	100.38	−1.5	5.49	138.97	108.44	119.56	111.55	101.91	182.25	128.54	165.67
Sweden (27)	180.83	+1.7	140.25	153.00	144.17	151.78	+1.1	2.67	177.79	138.74	152.96	142.72	150.09	234.93	158.07	182.30
Switzerland (67)	90.52	−0.1	70.21	76.59	72.17	71.68	−0.8	2.98	90.60	70.70	77.95	72.74	72.21	109.77	85.00	92.01
United Kingdom (300)	157.51	−0.2	122.17	133.25	125.56	122.17	−0.8	5.69	157.75	123.09	135.70	126.62	123.09	176.18	139.87	150.93
USA (535)	126.00	+0.3	97.72	106.61	100.46	126.00	+0.3	3.90	125.56	97.98	108.03	100.79	125.56	148.95	121.30	145.14
Europe (967)	132.74	−0.3	102.96	112.32	105.84	104.45	−0.9	4.46	133.13	103.88	114.53	106.87	106.41	157.65	124.91	130.92
Nordic (114)	185.54	+0.8	143.91	156.98	147.92	145.73	+0.2	2.07	183.83	143.45	158.16	147.57	145.47	223.29	172.59	168.07
Pacific Basin (658)	118.66	+0.0	92.04	100.40	94.61	100.58	−1.6	1.29	118.69	92.61	102.11	95.27	102.27	192.75	107.82	181.71
Euro-Pacific (1623)	124.73	−0.1	96.74	105.52	99.43	103.00	−1.3	2.66	124.90	97.46	107.44	100.25	104.38	174.18	116.03	161.62
North America (663)	126.06	+0.3	97.77	106.67	100.52	124.76	+0.3	3.89	125.64	98.04	108.10	100.87	124.36	148.43	121.59	145.56
Europe Ex. UK (667)	117.16	−0.4	90.87	99.15	93.43	93.83	−1.0	3.57	117.61	91.77	101.20	94.43	94.80	145.62	109.94	117.78
Pacific Ex. Japan (202)	122.35	−0.7	94.90	103.54	97.56	104.73	−0.9	6.31	123.19	96.13	106.00	98.90	105.67	146.72	121.14	138.65
World Ex. US (1816)	125.47	−0.1	97.32	106.17	100.04	103.66	−1.2	2.72	125.60	98.01	108.07	100.83	105.12	173.77	117.12	161.51
World Ex. UK (2049)	121.45	+0.1	94.20	102.77	96.84	109.69	−0.6	2.80	121.36	94.70	104.41	97.43	110.30	162.00	115.37	154.80
World Ex. So. Af. (2289)	124.40	+0.0	96.49	105.27	99.19	110.64	−0.7	3.12	124.36	97.04	106.99	99.83	111.40	161.84	118.04	154.42
World Ex. Japan (1895)	129.20	+0.1	100.21	109.32	100.02	116.64	−0.2	4.21	129.13	100.76	111.10	103.67	116.89	151.59	124.31	140.08
The World Index (2349)	124.66	+0.1	96.69	105.47	99.39	110.83	−0.7	3.13	124.59	97.22	107.19	100.02	111.57	162.05	118.33	154.44

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

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INT. BANK AND O'SEAS

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CORPORATION LOANS

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COMMONWEALTH & AFRICAN LOANS

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LOANS

Building Societies

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Public Board and Ind.

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FOREIGN BONDS & RAILS

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CANADIANS

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13½	£9¼	ABN Amro Fl5	£9½	......	Q28%	2.1	8.9	5.3
303	168	ANZ $A1	168	−3	44c	1.4	11.2	6.3
229	172	Abbey National 10p	214	+14½	5.7	4.3	3.6	8.7
*274	133	Allied Irish Ord	144	−7	Q40%	3.3	6.2	6.5
85	47	Anglo Irish	50	+1	†Q18.7%	2.7	8.4	7.2
93	61	Ansbacher (H.) 1p	61	−2	2.5	1.3	5.5	17.6
£71½	£32¾	Bancaire Cie Fr100	£39⅞	+1½	Q12½%	—	3.3	—
£22½	£13¾	Banco Bilbao Viz	£14	......	Q49.1%	2.7	5.7	9.6
286	136	Bank Ireland Ir£1	150	−4	Q14.7%	2.9	8.8	5.3
£19½	£18	Bank Leumi	£19½	......	—	—	—	—
351	320	Bank Leumi (U.K.)	350	......	†15.0	—	5.7	—
125	100	Bank Scotland	118	+10	†4.55	3.4	5.2	7.4
100¼	83¼	Do. 9¼pc Irrd Pf	96	+½	9¼%	—	12.8	—
54	39	Bank of Wales	42	......	2.8	0.8	9.1	(19.7)
428	290	Barclays £1	370	+33	†b19.57	3.5	7.1	5.1
22	11	Benchmark 20p	11	......	0.75	♦	9.1	♦
335	238	Brown Shipley £1	240	......	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	294	+3	N24.5	—	11.1	—
179	49	Chancery	52	......	9.0	2.7	23.1	2.1
£23¼	£15¼	Commerzbk DM10	£15¼	−¼	Q18%	—	4.0	—
£13¼	620	Dai Ichi KBk Y50	655	−1	Q17%	6.2	0.5	33.2
*£313⅜	£194¾	Deutsche Bk DM50	£201⅜	−6⅞	Q28%	—	2.3	—
£20¾	£14¾	Espirito Santo	£15¼	......	Q75c	5.1	2.6	7.4
253	166	First Nat. Fin. 10p	179	+4	13.0	2.1	9.7	6.2
121	82	FNFC 6.3pc Cv. Pf	86	......	6.3%	—	9.8	—
£13¼	633	Fuji Bank Y50	678	......	Q17%	♦	0.5	♦
325	262	Gerrard & National	278	+8	19.0	—	9.1	—
154	100	Guinness Mahon 10p	100	......	2.1	—	2.8	—
328	194	Hambros 20p	200	−1	11.5	—	7.7	—
128	88	Do. 7.5pc Cv Pf	91	+3	7½%	—	11.0	—
53½	32¼	HK & Shang. HK$2.50	33	......	†hQ38c	—	7.7	—
478	393	Joseph (Leo) £1	393	......	15.85	—	5.4	—
150	105	King & Shaxson 20p	110	+4	10.25	—	12.4	—
422	262	Kleinwort Benson Grp	280	......	16.0	2.5	7.6	6.6
642	316	Kyowa Bank Y50	328	......	Q14%	♦	0.9	♦
316	222	Lloyds £1	273	+18	†13.3	2.6	6.5	6.4
56	44	Lon. Scot. Bank 10p	45	......	†2.4	1.9	7.1	8.9
409	192	Midland £1	212	+15	†18.0	2.6	11.3	4.4
£14½	£10⅜	Mitsubishi Bank Y50	£10⅜	......	Q17%	♦	0.3	♦
£12¾	£4¼	Mitsubishi Tst & Bk Y50	£4⅜	+⅛	Q17%	12.4	0.7	11.6
£10½	£4⅞	Mitsui Taiyo Kobe Y50	£4¾	......	†Q16%	6.0	0.6	27.8
904	410	Mitsui Tst & Bk Y50	422	+1	Q17%	♦	0.7	♦
326	251	Nat. Aust. Bk. A$1	256	−2	¶Q50c	1.6	8.4	7.4
368	227	NatWest £1	278	+26	†16.7	3.3	8.0	5.1
£210	£120	Ottoman Bank	£135	......	Q110%	2.8	8.1	4.4
55	30	Rea Bros. Group	32	+2	0.5	3.2	2.1	16.0
227	119	Royal Bk. Scotland	144	+12	†7.2	3.8	6.7	5.1
795	368	Saitama Bank Y50	375	−11	Q14%	♦	0.7	♦
£12¼	567	Sanwa Bank Y50	575	−5	Q17%	6.7	0.6	27.1
902½	613	Schroders £1	623	......	b12.5	5.9	2.7	8.4
712½	413	Do. £1 N/V	423	......	b12.5	5.9	4.0	5.7
£25¼	£10⅞	Sec. Pacific $10	£11⅝	+¼	Q$2.52	—	11.6	—
616	251	Standard Chartd. £1	276½	−13½	35.0	1.4	16.9	(5.2)
£16¼	£6⅛	Sumitomo Bank Y50	£6⅛	−⅛	†hQ16%	7.5	0.4	28.2
£11	£4⅝	Sumitomo Tst & Bk Y50	£4¾	−⅛	Q17%	6.9	0.7	21.1
147	114	TSB	132	+11	†5.8	2.5	5.9	8.6
175	124	TSB Bank Ch'nel Is'l	130	+6	†Q6.7	3.5	5.2	6.5
£11¼	£4¼	Tokai Bank Y50	£4⅞	+⅛	Q16%	4.1	0.9	32.2
920	484	Toyo Tst & Bk Y50	498	−7	†Q15.2%	6.9	0.6	23.9
611	499	Union Discount £1	515	+14	33.0	—	8.5	—
525	286	Warburg (S.G.)	326	+7	15.0	3.8	6.1	5.7
180	99	Do 6pc Cnv Prf	107	+1	6%	—	7.5	—
279	175	Westpac $A1	175	−2	Q32.5c	1.5	13.5	4.8
420	330	Wintrust 20p	335	......	†7.8	4.2	3.1	9.2
969	509	Yasuda Tst & Bk Y50	530	−8	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	40	......	Q18.5%	3.2	21.8	1.9
71	53	Cambridge Grp Ir5p	58	......	Q7½%	15.6	0.6	14.2
59	11	Capital Leasing Ir 10p	13½	......	†Q3.2%	3.5	7.6	3.4
68	50	Cattle's (Hldgs) 10p	58	+2	†3.58	1.9	8.2	8.3
436	362	Prov. Financial	387	+2	†20.5	2.1	7.1	8.9
*232	153	Reflex Invs. Ir5p	160	......	Q51%	7.9	1.4	11.8
225	198	Secure Trust Grp. 1p	198	......	†8.5	2.4	5.8	9.7
210	135	Woodchester IR20p	160	+3	†Q16.7%	5.9	1.8	12.1

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

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Components

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PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
35	25	Ayer Hitam SM1	25	...	[illegible]	0.7	−
75	45	Gopeng Berhad M$0.50	45	...	Q11c	2.6	4.9
67	29	Malaysia Mng. 10c	29	...	07c	2.3	4.9
160	130	Petaling SM1	130	...	Q18c	−	25.2
125	125	Sungei Besi SM1	125	...	−	−	−
90	90	Taojong 15p	90	...	−	−	−

Miscellaneous

THIRD MARKET

NOTES

... on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Craig & Rose £1	790	.....
Finlay Pkg. 5p	46	.....
Holt (Jos) 25p	1300	.....

IRISH

Stock	Price	+ or −
Cap. 8¼% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£93½	+½
Fin. 13% 97/02	£110	.....
Arnotts	280	.....
Carrol (P.J.)	148	−2
Hall (R. & H.)	165	.....
Helton Hldgs.	43	−4
IRG	150	.....
United Drug	136	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5¼
FNFC	20
Gen Accident	46½
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	44
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	56

Property

Stock	p
Brit Land	24
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Stock	p
Ariva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	48

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FINANCIAL TIMES
Weekend October 6/October 7 1990

President attempts to force Congress to reverse its rejection of the budget agreement

US faces shutdown of government operations

By Peter Riddell, US Editor, in Washington

THE US was last night facing a temporary shutdown of government operations as President George Bush tried to force Congress to reverse its rejection of the crucial budget agreement.

The White House said Mr Bush, who is grappling with the most serious domestic political setback of his presidency, would refuse to sign legislation needed to finance government operations beyond midnight last night until a new resolution was approved.

Federal agencies were last night warned that operations would have to be closed down from today. However, Democratic Congressional leaders were preparing a stopgap measure to maintain funding and raise the limit on Federal borrowing until next Friday.

The defeat came in the early hours of yesterday in the House of Representatives by a margin of 254 votes to 179, including a majority of Republicans. It opens the prospect of short-term political and financial chaos in the US until some new deal is worked out.

The vote unsettled financial markets. Share prices on Wall Street fell sharply in early trading, with the Dow Jones Industrial Average down 59 points at one stage, though a recovery followed. Yields on long-term government bonds also rose since the prospect of an early cut in short-term interest rates has receded. Mr Alan Greenspan, chairman of the Federal Reserve, has made such action dependent on enactment of a credible deficit reduction package.

The prospect of unchanged US interest rates also boosted the dollar on the foreign exchange markets. However, movements in financial markets were restrained both by the hope that the current budgetary impasse will be resolved before long and by a further rise in unemployment and a drop in employment pointing to a weakening economy.

Budget defeat stuns Bush..........Page 2

Mr Bush's threat not to sign legislation to keep the Federal Government going was intended to concentrate minds on a new budget plan. The White House and Congressional leaders were seeing whether some "fine-tuning" could be done to give the package broader appeal. The administration wants to see as few changes as possible to the original five-year $500bn (£257.7bn) agreement which took five months to agree.

The main focus is on recasting the proposed $60bn cutbacks in Medicare health provision for the elderly which were opposed by a wide range of Congressmen under pressure from the pensioners' lobby.

Mr Tom Foley, the Democratic Speaker of the House, whose lead was rejected by most of his own party, yesterday said the rejected budget needed to be altered but it would not be totally discarded.

Mr Marlin Fitzwater, the White House spokesman, sought to play down the defeat as "first skirmish". There is clearly hope that the budget process can be quickly put back on the rails again. But the objections expressed in Thursday's debate were fundamental and may be difficult to resolve, especially since the chairmen of key committees will want to be more involved and to recast the details.

Mr Fitzwater said the president was "urging Congress to finish the job, if they didn't like the agreement they got on Thursday night, to come up with a better one now and let's get it passed."

The defeat reflected a rank-and-file revolt by conservative Republicans angry at the proposed increase in taxes and by liberal Democrats opposed to the higher indirect taxes and Medicare cuts. This reflects heavy popular opposition in the country to the package.

Leaders of Congress regarded the outcome as a test of their ability to govern and to respond to the pressing issue of the rising Federal budget deficit, estimated at $294bn for the 1991 fiscal year just started – before taking account of the proposed $40bn tax and spending measures.

National Power plans to generate electricity from waste

By Juliet Sychrava and David Thomas

PLANS to burn almost 10 per cent of Britain's domestic and commercial waste to generate electricity are being drawn up by National Power, the country's biggest electricity generator.

The company, due to be privatised in February, has established a new business which aims to take a leading position in the UK waste management industry.

The business would be the biggest move yet by National Power away from its conventional power station operations. It will earn about 60 per cent of its revenue from waste disposal fees paid by local councils and most of the rest from electricity sales.

Total investment in new plants from 1993 could be more than £150m over 10 years, by when the company believes it could be burning almost a tenth of Britain's waste.

"We will be providing an alternative, environmentally friendly waste disposal service, generating green power," said Mr David Keeling, National Power's newly-appointed head of waste management.

National Power expects to form joint ventures with some councils and companies to handle the waste as the business develops. It has appointed a management team to prepare two complementary waste burning schemes at sites yet to be determined. Each scheme will burn about 1m tonnes of rubbish a year – equivalent to the amount of rubbish produced in the West Midlands.

The first scheme, called "mass burn" by National Power, will involve building three or more 25MW waste-to-energy power stations in areas where it has no stations, possibly London, Merseyside, and the West Country, by the end of the decade.

The stations, which will use technology primarily developed in the US, will cost £40m-£60m each to build, and will burn around 350,000 tonnes of waste each a year.

Under the second scheme, known as "co-firing," up to five plants would be built to convert household and light industrial waste into a form suitable for burning with coal in existing power stations. Each plant will cost between £4m and £5m, with an additional £500,000 spent at power stations taking the fuel.

National Power expects to collect 3m tonnes of refuse for these conversion plants each year, because only a third of household and light industrial waste is suitable for use in the plants. The remainder would be sorted for recycling and landfill.

The final decision to launch the business will be taken in March, but Mr Keeling said: "It will go ahead, unless there are unassailable barriers, or we can't find a business that will stand on its own feet."

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Porsche	790	+	13
Falls			
Bayer	208	–	5
Daimler	585	–	23
Linde	726	–	12
Siemens	536	–	11.2
Volkswagen	389	–	10

NEW YORK ($)			
Rises			
Hanson	19⅞	+	⅞
IBM	108¼	+	⅞
Reuters	43⅜	+	3½
Falls			
AT & T	32⅛	–	⅛
MIPS	9½	–	2¼
Readers Digest	23½	–	⅛

New York prices at 12.30.

PARIS (FFrs)			
Rises			
Accor	704	+	15
Nouvelle Gal	599	+	[illegible]
Simco	532	+	16
Falls			
Essilor	281	–	15.5
SILIC	612	–	18
Schneider	620	–	11

TOKYO (Yen)			
Rises			
Ezaki	960	+	35
Godo Shusei	939	+	64
Ihara	710	+	50
Kobe Steel	525	+	42
Skokusan	730	+	39
Tokico	625	+	65

LONDON (Pence)			
Rises			
BAA	367	+	12
Barclays	370	+	33
Brit Aero	577	+	23
Brit Gas	226	+	9
GRE	169	+	15
ICI	878	+	23
Land Secs	495	+	22
MEPC	476	+	34
Prudential	215	+	11
RMC	600	+	31
Racal Elect	161	+	14
Redland	559	+	31
Rosehaugh	86	+	19
TSB	132	+	11
Traf Hse	211	+	21
Falls			
Lex Servs	186	–	12
Tranwood	2	–	2¼

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	Dallas †	S	16	61	Madeira	F	23	73	Prague	S	14	57
Algiers	S	24	75	Dublin	R	17	63	Madrid	S	20	68	Reykjavik	S	7	45
Amsterdam	R	14	[illegible]	Dubrovnik	S	26	79	Majorca	S	25	77	Rhodes	S	26	79
Athens	S	26	79	Edinburgh	C	16	61	Malaga	S	24	75	Rio de Janeiro		–	–
Bahrain	S	33	91	Faro	S	25	77	Malta	F	27	81	Rome	F	24	75
Barcelona	S	14	57	Florence	C	20	68	Manchester	R	17	63	Salzburg	C	12	54
Belfast	R	16	61	Frankfurt	S	15	59	Melbourne	C	22	72	S'Francisco †	F	17	63
[illegible]				[illegible]				[illegible]				[illegible]			

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Asil Nadir leaves the meeting with bankers in London yesterday

Tony Andrews

Bankers give Polly Peck one week to solve liquidity crisis

By David Lascelles, Richard Waters and David Barchard

POLLY PECK International was yesterday given one week by its bankers to come up with a solution to the severe liquidity crisis which is threatening the future of the company.

Representatives of about 50 banks gathered yesterday morning in London to hear Mr Asil Nadir, the company's chairman and chief executive, ask for a 90-day standstill on short-term debts of £117m.

After four hours, however, the banks agreed to allow Mr Nadir only until next Friday to come up with tangible evidence that cash would be available to tide the company over. In a brief statement last night, they said a longer standstill period could follow.

Mr Nadir, a Turkish Cypriot, told the meeting that the Turkish government was willing to provide assistance to his company, though no firm guarantee was presented.

He said Polly Peck had £70m in deposits in banks in northern Cyprus, but this could not be swiftly withdrawn as it was on long term deposit.

Banks' representatives suggested at the meeting that Mr Nadir's personal wealth – which he hinted earlier this week was approaching £1bn – could be used to underpin the company.

One said: "He was asked, in so many terms, are you going to guarantee anything or put anything into the pot? He made it clear that he wouldn't." This had contributed to a general feeling of unease, he added.

Despite this, the tone of the meeting was "largely neutral". One of those present said: "There were no fireworks at all. People were there to gather information and report back. Next week's meeting is going to be the interesting one."

The bankers left with little new information about the state of the company's financial health. "It was a bit light on hard information," said one.

The meeting was addressed by Mr Nadir, Mr David Fawcus, deputy chief executive, and Mr Reg Mogg, finance director. Stoy Hayward, Polly Peck's auditors, were questioned about the group's financial statements, in particular the way it accounted for foreign currencies, but said only that the accounts complied with accounting standards.

After the meeting the banks appointed a steering group, chaired by Standard Chartered. The other members are Lloyds, Midland, National Westminster, Arab Banking Corporation, Commonwealth Bank of Australia, Credit Suisse First Boston, Legal & General, Société Générale and Warburg Soditic.

Turkish bankers in Istanbul remained adamant that there was little chance of a loan package from Turkey. "No one has approached me or the other Turkish private banks and I don't think we are going to be approached," one chief executive of a large bank said.

Another said: "The amount is too large and I very much doubt that the head of the main state banks would take the responsibility for lending such an amount to Mr Nadir. I don't think they would put their signatures to it."

Bankers believe that some of the possible formulas for the loan – including an export credit or a loan from banks in Turkey to Northern Cyprus to be passed on to Mr Nadir – have been ruled out.

However, an aide to President Turgut Ozal suggested last night that it was possible that talks with Mr Nadir could result in progress on a financial support package.

Ministers hope

Continued from Page 1

Mrs Thatcher voiced hopes that the cut in base rates would be followed in time by a comparable reduction in mortgage rates. She denied that the timing of the move had been decided by the start of the party conference on Tuesday.

Senior Whitehall insiders, however, said her concern to see lower interest rates played a central role in her approval of immediate membership.

Mr Major is said to have told the prime minister that some reduction in rates was needed to avert the risk of recession, but to have warned also that such a cut was impossible outside the ERM because of the risk of a run on sterling.

Mrs Thatcher agreed in principle to ERM membership in the early summer after Mr Major persuaded her that it was vital to reinforce the Government's efforts to bring down inflation ahead of the election. A tentative plan to join, however, was dropped because of the Gulf crisis.

Ministers had feared that next week's conference would be overshadowed by fears of recession. They now feel the conference can provide the platform from which the government can cut into and eventually reverse Labour's 10 point lead in the opinion polls. "It means a 1991 election. It is the beginning of the recovery," a Cabinet minister said.

Another said Mr Major's success in persuading Mrs Thatcher to take a decision which she had resisted for so many years had greatly enhanced his prospects of eventually succeeding her.

Treasury ministers were thought to be striking a cautionary note, warning that although the squeeze on the economy had been eased slightly, there was no question of a pre-election "dash for growth".

The view of most ministers, however, was that while an election next June still looked doubtful, there was a greatly increased prospect of Mrs Thatcher going to the country in September or October of next year.

Markets soar

Continued from Page 1

Kuwait.

Gilt-edged securities soared, gaining two points within 10 minutes as bond yields dropped in reaction to the cut in base rates. This triggered price rises of 3 points in the single hour of trading.

Analysts broadly approved of the government's move for the stringency it would bring to monetary policy and the anti-inflation campaign.

They said the markets' highly positive response was triggered by simultaneous announcement of entry with a base rate cut. One said it was "the only piece of good news highly-geared businesses have had for some time".

Others were more cynical, dismissing the sudden move as political engineering of the economy at the worst possible time.

Mr Bill Martin, economist at UBS Phillips and Drew, said the government had started to cut rates to placate industry and mortgage payers in the run up to a summer election.

The markets expect sterling to remain steady at around DM3 next week. According to the ERM rules, the Bank will have to intervene to prevent the pound rising above its upper limit of DM3.13.

The Bank said that if the pound came within "striking distance" of this, it would either sell sterling along with the other European central banks or cut interest rates again.

In New York, analysts expected sterling to remain strong against the dollar and D-Mark. The dollar's weakness would be accentuated by the easing of US interest rates expected when Congress finally passes a budget deficit package.

THE LEX COLUMN

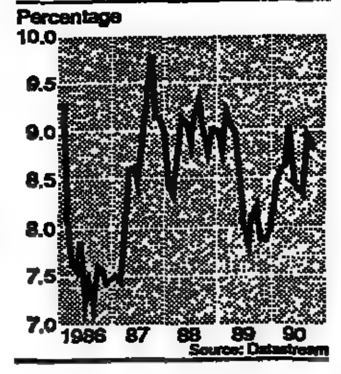
The great leap in the dark

Any market operator who thought ERM entry was already in the price was disabused in a few frantic minutes yesterday. The 100-point rise in equities owed something to the market being caught drastically short of stock. But as the 7-pfennig jump in sterling showed, the move was not discounted in the foreign exchanges either. The markets had come to believe in Mr Major's reputation for masterly inaction; he will be the more closely watched next time.

The timing of the move looks almost vulgarly theatrical: just between the Labour and Tory party conferences, and a year to the day from the rise in rates to 15 per cent. But it may well be that it is not ERM entry that is causing a cut in rates but the other way round. The cut looks more like an implicit admission by Mr Major that recession has finally arrived; ERM entry is thus the means of protecting sterling from the consequences of lower rates.

It could be argued that if even a chancellor of the exchequer concedes the economy is in recession, it is time for equities to start discounting recovery. But amid the euphoria, there is room for one important proviso. A week ago the market's mood was very different, as a result of almost exclusively international preoccupations: the Gulf, the global monetary squeeze, the international banking crisis. None of these has changed; and ERM entry, after all, is a predominantly domestic affair. It may be that the UK market can now do its worrying from a higher base. It has plenty to worry about just the same.

FT-SE Index: 2,143.9 (+73.5)



Interest rates

In immediate terms, the result of ERM membership is that the UK no longer needs such penal interest rates to support its currency. Even after yesterday's cut, short-term UK interest rates are still 6 percentage points higher than in the US and a good 4 points above almost all of continental Europe. The currency speculators might have preferred a narrower band than yesterday's indicated one of DM2.88 to DM3.13; but for the moment, sterling is once again the hottest game in town. Why settle for 9 per cent on one-year D-marks when you can earn 13¼ per cent on similar dated sterling with virtually no currency risk?

Falling interest rates, a strong currency and headline inflation falling by virtue of the mortgage rate cuts are a bond investor's dream. UK inflation may be triple the rate in France; but given that sterling is now underwritten for the time being, the yield gap narrows dramatically. This is what happens in an era of perfect capital flows.

The big question is how high sterling can go. It is easy to assume another full point cut in base rates to 13 per cent happening quite rapidly. Beyond that, forecasting when the cowboys of the international money markets will lose interest in a high yielding currency is a mug's game. But when they do, it is not impossible that rates might have to rise again. The UK is running a massive trade deficit while few of its continental partners are even in the red. Indeed, sterling is already overvalued on most criteria. There is a real risk that UK economy is to be driven into a deep recession.

Equities

In the 30-minute scramble between the news and the close yesterday, the market had no time for subtle distinctions. But it was clear on the main beneficiaries: banks, builders, property companies and the highly-indebted generally. Rosehaugh went up 28 per cent, Tarmac 16 per cent and Barclays and NatWest 10 per cent apiece. There were no obvious losers except for cash-rich companies such as AB Foods. Over the weekend the institutions, bruised once more by having missed the rise, may come up with one or two others.

The market must now face the sober reality that the ERM acts by overvaluing the currency of a high-inflation member until its inflation rate comes down. Even among UK manufacturers of internationally traded goods, entry will probably be welcomed on the grounds that it removes one key variable from their planning. But they were already starting to suffer from sterling's overvaluation against the dollar; now they must bear the full brunt of reducing wage expectations the hard way.

There remains the separate possibility that with the exchange rate risk now limited for UK equities as a class, equity yields might move down towards continental levels. In itself, the proposition is dubious; the European bourses are simply less interested in dividends than the UK market is. But with the yield ratio already suggesting that equities offer good value in relation to gilts, it is the trade-off between UK and continental bond yields which may prove the key to UK equity valuations.

Global markets

The impact of ERM entry has turned UK investor attention inwards. But once the initial valuation adjustments have been made, the UK equity market cannot ignore the bearish messages coming out of the world's other equity markets. Indeed, ERM entry has removed the main domestic imponderable which has been bothering the UK equity market for more than a year. External factors such as the trend of US and German interest rates must now come back into play. If the world is sliding towards a recession, the overdependence of the UK economy on overseas trade means UK equities are going to be even more vulnerable than most.

Hence the importance of the week's other surprise event, the breakdown of the US budget accord. This was supposed to be the trigger for lower US interest rates. The longer it is delayed, the more likely that the world's biggest economy will trip into recession. In the worst case, it is hard to imagine how the US economy could avoid a serious recession if the automatic Gramm Rudman cuts came into force.

A more realistic assumption is that some sort of Budget accord will be patched together. That said, the US economy is in an even more fragile state than that of the UK, with the long bond indicating that it is deep in recession. Its equity market, meanwhile, is far more obviously overvalued. The London market has tracked Wall Street faithfully for years. The real test of ERM entry is whether this tradition can be broken.

Weekend FT

SECTION II Weekend October 6/October 7 1990

MALCOLM FORBES had everything. He was enormously wealthy and successful as head of the lucrative but conservative Forbes enterprise which he inherited from his father; he, too, was a father, with a beautiful but reclusive wife; he had often escorted the actress Elizabeth Taylor. But he was much more complex than the average follower of the American Dream could realise: international balloonist, obsessed equally with motorcycles, dressing up, and his flamboyant love life. Yet he was in some ways curiously naive, as a new biography of Forbes, by Christopher Winans, shows.

Forbes knew how to live. He never seemed to do any work yet he got richer all the time. He appeared to fuse business and pleasure in a way that dazzled both rich and poor, powerful and powerless. That was his carefully crafted image, and one which he left behind him when he died, in his sleep, in February, aged 70. In 1981 he decided to launch the Rich List, a compilation of the 400 wealthiest Americans. This was to be the ultimate weapon in the long-running war against the Fortune 500 which had eclipsed the older Forbes 500 as the established record of America's wealthiest companies.

Forbes wanted something that would be talked about like the Dow Jones averages. In the Rich List he was trying to answer the most basic questions in financial journalism: who's got the most, and how did they get it? But for each person scrambling to get on the list, there were scores desperate to be taken off it, many terrified of kidnap or blackmail, but most fearing that the Internal Revenue Service would find income not listed on their tax returns.

Forbes attacked the Fortune 500 through advertising, perhaps the most memorable of which asked: "Why didn't AT&T, Sears or Bank America make the Fortune 500?" But Forbes could not erase the Fortune 500 from the language of business. It was a coup when Dow Jones News Retrieval, the electronic data-base service, decided to feature the Forbes 500 over Fortune's for all the reasons raised in Forbes's advertisements. Yet Fortune continued to get most of the publicity every year when its updated list was released.

■ Malcolm Forbes: The Man Who Had Everything. By Christopher Winans. St Martins Press, NY; Peter Owen, London, January 1991.

How Forbes cashed in on his hit-list

*They said it would never fly. **Christopher Winans** explains how the Forbes 400, a list of America's richest individuals, got off the ground*

Drawing Paul Slater

MALCOLM seized on an idea that was as brilliant a marketing ploy as it would be controversial – the Forbes 400 richest Americans. Why 400? In the nineteenth century, "the Four Hundred" was the definition of New York high society; after all, that was the capacity of Mrs Vanderbilt's ballroom.

Jonathan Greenberg, who started at Forbes in 1980 as a research assistant, was asked in June 1981 if he would volunteer to work on a Rich List, as the project came to be known internally. From the beginning, it was clear that this was Malcolm's brainchild.

Malcolm had told Jim Michaels, the former managing editor, who hated the idea, to figure out how it could be done. Michaels kicked it over to Sheldon Zalaznick, the managing editor, who also initially was not thrilled. To begin with, no-one believed it was possible to do such a list; that was the major criticism. It's not like ranking publicly traded companies whose financial information is disclosed in accordance with federal Securities and Exchange Commission laws. Tax returns for private individuals are proprietary. How could Forbes uncover the necessary information to say confidently such a list was authoritative?

Because Michaels viewed the project with such disdain, the staff generally saw any related assignment as punishment – certainly not a good sign for one's career.

Zalaznick's objections were that the Rich List would require a huge commitment of reporters' time when the staff already was stretched to the limit and that, in any case, he did not believe the 400 richest Americans could be identified accurately. Thus, once it came out, "there would be 400 people in this country who would know with certainty that Forbes was full of shit," he said.

Malcolm responded quickly to both criticisms. First,, he was willing to commit whatever resources would be necessary to get the job done. "I don't care what it takes; I want it done." Second, Malcolm conceded that the first rich list might be riddled with inaccuracies, but that experience would lead to improvements and greater reliability.

For Malcolm, money was no object in getting the necessary resources to surmount the obstacles. Even time initially was not important. Whatever it took, Malcolm was committed to the concept. He was convinced this was a hot idea.

"That embodied the nature of Malcolm's leadership ability," Greenberg says. "Very rarely did he pull rank in a way that has left such an impression on the magazine. It wasn't just money. It wasn't just that this would be a great ad-sales vehicle. It was fame. The Fortune 500 had always been such a barometer, and it clearly irked him that nobody quoted the Forbes 500."

This was Malcolm's answer. He knew he would be achieving what no one else had done on quite this scale. He wanted something that people would talk about the way they talk about the Fortune 500 or the Dow Jones averages.

Now the effort got under way in earnest . . . The instructions were to keep the purpose of the digging a secret. The fear was that someone would try to stop the process with a lawsuit charging invasion of privacy. Many of the targets were not public figures. In fact "reclusive" is probably the most commonly used adjective with the words "millionaire" and "billionaire." Forrest E Mars, of the Mars candy company in Hackettstown, New Jersey, was a perfect example: worth billions of dollars, he had done everything he could to avoid the kind of publicity that definitely would flow from the Rich List.

The Forbes researchers found that wealth generally came in the form of company stock, oil and gas holdings, real estate, media properties, and inheritance, which included all of the above. Soon, Forbes reporters with expertise and sources in these various areas began to contribute valuable information. Greenberg, for example, became particularly interested in the enormous value of Manhattan real estate. About 10 per cent of the original 400 were on the list because of New York real estate holdings.

While debt was perhaps the biggest unknown factor, the hidden role of silent partners also clouded the picture. Nevertheless, it became apparent that the cut-off for inclusion on the first list was going to be about \$100m.

Maintaining secrecy about the project would be no easy task. Forbes reporters were talking to local newspaper business editors, society columnists, fund-raisers, politicians, and the semi-rich. Making such inquiries without tipping one's hand about one's purposes is not easy. A newspaper in Columbus, Ohio, ran a story in the winter of 1981 reporting that Forbes had come to town in search of candidates for a list of America's richest. Ultimately, it did no harm.

Meanwhile, roughly 80 people threatened to sue Forbes if they appeared on a Rich List. The main fear among potential subjects was that the Internal Revenue Service would scrutinise the list for income not listed on returns. An IRS agent in the New York office, however, once told Jay Gissen, a Forbes staffer, that the agency had taken a look at the list but did not see anything worth investigating.

There was also a protest over Malcolm's insistence that the list include names of non-adult children, which was seen as a sort of potential shopping list for kidnappers and terrorists. In fact, Gissen and Greenberg both implored Malcolm not to include children's names, but Malcolm insisted they be included (perhaps he saw the value of establishing a data base of rich heirs).

■ Turn to Page VIII

John Major meets Little and Large

SO FAREWELL then, 15 per cent. It was a year ago yesterday that Nigel Lawson, then Chancellor, grimly hiked the short-term sterling interest rate in a more or less instant response to a tightening by the Bundesbank. We have been stuck ever since, with the government daring neither to go up or down, until at last the government decided to take the plunge into the exchange rate mechanism of the European Monetary System last night.

Could this mark a step towards interest rate normality? Let us hope so, because persistently high short-term rates have been producing some peculiar effects. The backward-sloping yield curve, for example, appears to have become an almost permanent feature of the capital market.

In theory, long-term interest rates ought to be higher than short-term rates to compensate investors for higher risk, but for more than two years now the classic pattern has been reversed. In the past 12 months, for instance, the redemption yield on long-dated government securities has varied between 10 and 12 per cent.

Since 1984, in fact, the investment return on liquid funds has been consistently higher than on long-dated gilts.

You can see the results of this distortion clearly in the structure of pension fund portfolios: those funds reporting to the Combined Actuaries Performance Measurement Service (Caps) have recently held on average a mere 4 per cent in sterling bonds, but 8 per cent in liquid assets (though the high cash figure may admittedly be a bear market phenomenon).

In a different economic environment, corresponding American pension funds have about 40 per cent in bonds.

Even the equity market is looking rather less convincing as an alternative to cash. During the past five years the sum of £1,000 placed in the average UK General authorised unit trust would have grown to about £1,630 but the same amount placed in a building society account would have compounded to some £1,550 for a standard rate taxpayer.

That modest gap does not offer much compensation for extra risk. True, over longer periods, such as ten years, unit trusts are much more convincingly ahead, but it is reasonable for investors to expect worthwhile results after five years: no wonder unit trust net redemptions have reached record levels.

The dosage of high interest rates has had to be stepped up. When the credit markets were regulated and cartelised a sharp rise in interest rates would have a rapid impact on credit growth. Above a certain interest rate level, for instance, building societies would concentrate upon protecting their borrowers, and they would cease to bid aggressively for deposits. As a consequence, new loans had to be rationed.

It is very different now.

The Long View

BARRY RILEY

Entry to the ERM offers the prospect that the distortions caused by high interest rates could be unwound

There is an unlimited supply of highly-priced money. If you cannot afford to borrow it, perhaps financial engineering will help.

In a full-page advertisement in the *Sun* newspaper this week the comedians and financial experts Sid Little and Eddie Large, fronting for a firm of mortgage consultants, advised home-owning readers to unlock their capital and raise their living standards by signing up for a four-year package of reduced mortgage instalments. The small print revealed that in the process a £40,000 loan would grow to over £50,000 by the time normal service was resumed.

High interest rates are supposed to suppress lending and encourage saving. But what if people borrow to pay their interest outgoings? And if savers are motivated to place their funds in short-term institutions, because the government has arranged that they shall offer the best returns, these banks and building societies will have the resources to go out and lend aggressively.

On some estimates, remortgages (that is, bigger loans on the same houses) now account for nearly 60 per cent of home loan business. This is not to deny that, eventually, base rates of 13, 14 and then 15 per cent have slowed the lending surge but it has taken a long time, and bank and building society lending seems likely to rise by well over £70bn this year against £88bn in 1989. Now we are in the ERM, Sid and Eddie may well be advising *Sun* readers to take out deutschmark-denominated mortgages, so the whole high interest rate strategy could be short-circuited anyway.

Official short-termism is having a progressive impact on the structure of the financial economy. Ten years ago broad money (on the M4 definition) was equivalent to about half the annual gross domestic product, but now it is about 80 per cent. The government tends to argue that this is because people have more savings and wish to hold them in a liquid form. But the fact is, there has been an increasing incentive for the accumulation of monetary assets.

If that incentive should ever be removed, through a significant cut in short-term interest rates, a potentially dangerous realignment would take place. Perhaps savers could be persuaded to reinvest in other financial assets, leading to boom conditions in the equity and bond markets. Or perhaps they would spend the money on goods, triggering crises of inflation and imbalance of trade.

The forthcoming TESSA tax-free bank and building society accounts, which will be available from the beginning of January, can be seen as a way of freezing short-term deposits for a few years. But they are scarcely substitutes for long-term bonds in terms of their ability to stabilise the huge lake of liquidity which has been accumulated during the 1980s.

The ERM has abruptly snuffed out the first birthday candle of 15 per cent interest rates. A move to a more Germanic financial structure will offer much greater hope of stability. But a very awkward period of transition lies ahead.

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FINANCE & THE FAMILY: THIS WEEK

Building societies to cut mortgage rates

The government's announcement of a one percentage point cut in the base rate yesterday will spell good news for many home-owners, especially those who have felt the pinch from high interest rates.

Several of the banks and building societies announced their intention yesterday to cut mortgage rates, in some cases as early as November 1.

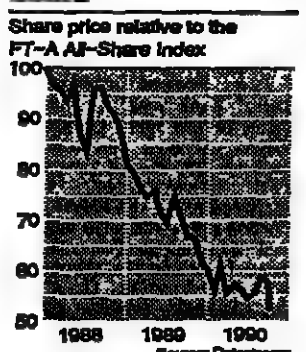
The Halifax Building Society, the largest mortgage lender, is cutting its standard mortgage rate from 15.4 per cent, but has not decided by how much. Nationwide Anglia, the second largest building society, is cutting its rate to new borrowers from 15.4 per cent to 14.5 per cent immediately, though existing borrowers will have to wait until November 1 before they feel the benefit of a 0.9 percentage point cut.

Mortgage lenders such as National Home Loans and First Mortgage Securities will wait and see what happens to money market rates before deciding on the extent and timing of a mortgage rate cut. *Sara Webb*

Britain enters the ERM: First Section: Pages 1, 6, 7, 8,9

Sears

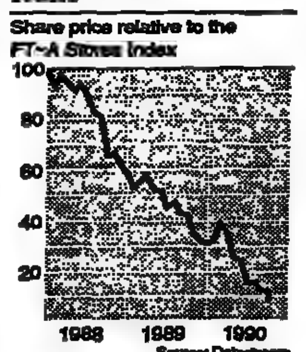
Share price relative to the FT–A All–Share Index



Source: Datastream

Next

Share price relative to the FT–A Stores Index



Source: Datastream

Sears' profits slump, Next shares slide

Sears' results on Tuesday came as a grisly reminder of just how tough life can be on the high street at the moment. Interim pre-tax profits slid by 32 per cent to £62.4m as the company revealed that the restructuring of the British Shoe Corporation was exacting a heavy toll and that costs were spiralling upwards at twice the rate of product price rises. The City took the news badly and was no more cheerful about the medium term outlook. The company will face a big struggle in returning to the upward track and a still bigger fight in persuading analysts that it provides an attractive investment when the ever-dependable Marks and Spencer is rated only slightly higher.

One casualty of Sears' disappointing results was Next, the clothing and mail order retailer, which saw its shares slide alarmingly during the week. The tacit assumption in the markets seemed to be that if Sears' interests in fashion and home shopping were hurting, then Next's must be too. Next is due to report its half year figures on October 16 and felt unable to make any statement on its trading outlook during the closed period. But analysts generally believed that the share price fall owed more to market jitters than to any well-informed pessimism about Next's immediate prospects. *John Thornhill*

Credit card surcharge fear

Customers who pay for their goods with a credit card will be charged more than those who pay with cash in future, given that Visa International lost its appeal against a Monopolies and Mergers Commission ruling this week. Visa challenged the MMC report which was published earlier this year and which proposed that traders should be allowed to give a discount to customers who pay with cash. *Sara Webb*

Power shares dealing offers

In the run-up to the electricity offer (see page IV), Henderson Crosthwaite is offering a half price dealing service during October for investors who want to rationalise their privatisation holdings. During October, the Guildford-based Diameter Stockbrokers is offering to sell shares worth less than £2,000 for £10 and a 0.5 per cent charge (up to a maximum of £15) above that. John Siddall, a Manchester-based stockbroking group, has offered to charge a flat £5 sales rate for every allotment letter. Investors have to register to receive this rate. *Philip Coggan*

East Germany property deadline

Saturday October 13 is the deadline on claims from dispossessed owners of properties in the eastern half of Germany. In an effort to contain the volume of applications, the German government has twice brought forward the time limit for claim registration, initially from the end of January 1991 to the end of December this year, and subsequently to October 13. Successful claimants who meet that deadline can obtain repossession of their property. London solicitors Curry Littlejohn Hausman, which has been handling claims through its Berlin office, explains that properties which no longer exist, or which have been taken for public use, will be valued (at today's prices) and cash restitution will be paid. *John Brennan*

INSIDE . . .

Local customers come first

The electricity privatisation: Clare Pearson outlines the similarities and differences between the water and power flotations. Page IV

The Seven Ages: retired couples

Retired couples should still plan for the long term, especially in income terms, reports Philip Coggan. Page VI

LONDON

Wake up to the brave new world

WELL . . . erm . . . it was just like any other Friday in October. You came back from a long City lunch yesterday afternoon. The market had been weak all morning, and volume comparatively thin. At around 2.30, you glanced at the Stock Exchange screen and took a weary mental note that the FT-SE 100 Index was down about 37 points on the day. You stretched, yawned – and went home.

When you go in to clear your desk on Monday morning you'll find that the market finally closed up 73.5 points at 2,143.9, a gain of nearly 8 per cent on the week. Most of yesterday's turnround of more than 110 points was achieved in the final 20 minutes of trading.

Equity traders startled out of their afternoon stupor by the news that sterling was going to enter the European exchange rate mechanism probably did not have a chance to note the apt timing of the announcement.

If Margaret Thatcher's view of Europe were not so depressingly prosaic, one might almost call it visionary to join the European monetary system in the week of German unification. On a more mundane level, it was exactly a year ago that base rates went up to 15 per cent. On Monday, when sterling joins the ERM, they will come down to 14 per cent and suddenly the ground-rules for equity investors will change.

The principle is comparatively simple: inflation is coming down, according to John Major, the Chancellor, so sterling can be put on a firm footing and interest rates reduced. An end to financial volatility leads to industrial revival and everybody lives happily ever after in their new homes, like good Europeans. Oh and by the way – the Conservative Party wins the general election.

For the time being, there is probably no point in carping about the months of prevarication and prestidigitation which preceded yesterday's announcement.

Equities are going to surge, and the immediate choices for potential investors are comparatively easy. With sterling at more than DM3 and approaching $2, domestic rather than overseas earners will be the principal beneficiaries.

Housebuilders' shares will thrive on the basis that a cut in interest rates – perhaps followed by a further, smaller cut before Christmas – will encourage the mass of potential buyers back into the market. Of the Footsie stocks, Tarmac showed the way yesterday, rising 34p to 245p on the day. Rosehaugh, the property developer, which announced a management restructuring on Monday, also benefited in the immediate aftermath, rising from 67p to 86p, while Imperial Chemical Industries, the traditional market indicator, increased 23p to 878p.

In the past two weeks, all stocks have looked vulnerable to the rogue rumour or blandest profit warning. ERM entry adds a crucial element of certainty to a market already underpinned by institutional cash and a strong dividend yield. However, it is not a panacea for all the ills besetting corporate UK.

ERM entry does not rescue the 1,837 companies which called in the receivers in the first nine months of the year and it will not have an effect on those which may be teetering on the brink.

It will not sort out Polly Peck International's liquidity problems, which were admitted formally on Monday, the same day the group bade farewell to Footsie membership, removed in favour of Dalgety, the foods group.

Neither will ERM entry provide UK companies with an excuse to abandon their cost-cutting, as the Bank of England's governor stressed yesterday – in fact a keen exchange rate will keep the pressure up. It will be some time before one can say that the risks of recession have disappeared.

Most immediately, Britain entering the ERM does not mean instant peace in the Gulf. Indeed, there were some in the immediate aftermath of yesterday's announcement who suggested that the timing had been dictated by more sinister pressures: why not tie sterling to the rock-like D-Mark just before launching a counter-attack on Iraq? A cataclysm of that nature would certainly drive the bulls from the UK equity market.

But for 99 per cent of the week, the impulse for equity movements has come neither from domestic economic news, nor from the Gulf, but from Japan and the US.

It is a brave investor's market in Tokyo, where the Nikkei index rose 17 per cent on the week. To put that in perspective, had London been tracking Japan, Footsie would have risen over 350 points on the week. Even ERM entry could not achieve such a miracle.

The focus of market attention until about 4.10pm yesterday was President George Bush's plan to cut the US budget deficit. Global investors were bent on analysing the implications of the House of Representatives' rejection of that plan.

Yesterday's 20-minute rise at least looked convincing. On Monday, for example, investors were left behind in market-makers' enthusiasm to put up prices on news of the US budget-cutting plan, and volume had been thin all week.

ERM entry may just have come at the right time to forestall the impending sense of gloom among market-makers and equity strategists. Before yesterday's announcement S.G. Warburg had just cut its year-end target for Footsie from 2,400 to 2,200. County NatWest's analysts were still looking for about 2,300 at the year-end, but believed that the index could still fall below 1,900 before any recovery. Now those rules have changed, and at least one analyst was again pencilling in 2,400 for the year-end.

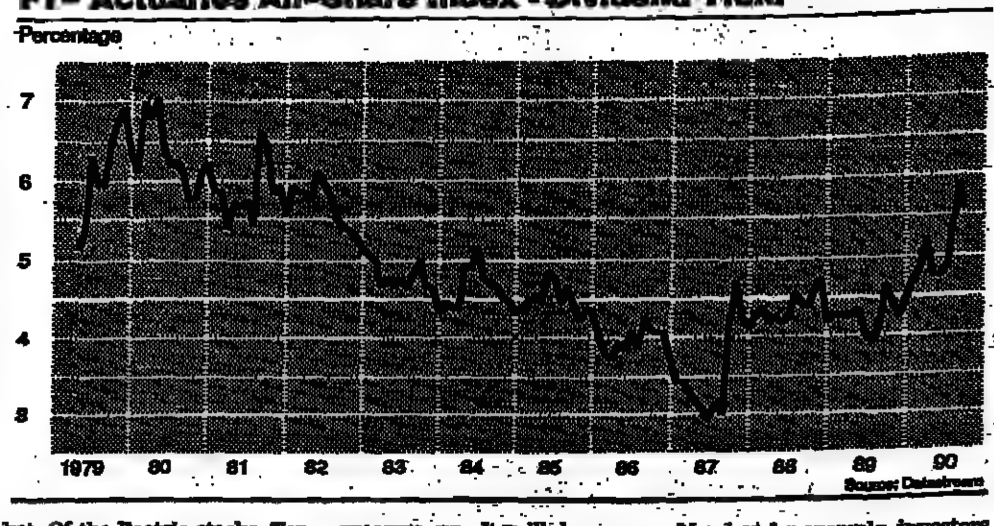
In two weeks' time the market will celebrate, if that is the right word, the third anniversary of the October 1987 stock market crash. After yesterday's announcement at least the market can approach October 19 with some confidence.

Myriad doubts remain, including the risk that interest rates will have to be pushed back up when the initial euphoria has waned. But for a moment yesterday, looking at the celebratory blanket of blue on Stock Exchange screens and reading the Chancellor's confident statement, it was almost like the old days.

Andrew Hill

FT– Actuaries All–Share Index - Dividend Yield

Percentage



Source: Datastream

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	2143.9	+154	2463.7	1990.2	Base rates, ERM news
Automated Security	188½	-20½	313	187	Hints of ADT stake sale
[illegible]	63	-13½	226	55	Failure to sell property interests
Cable & Wireless	467	+58	595	393	Switching from Brit. Telecom
Frogmore Estates	267	+36	460	223	Broker's positive recommendation
Glaxo	814	+84	862	669	Currency influences
ICI	878	+70	1263	805	Global market trend
Lloyds Chemists	161	+25	211	136	Better-than-expected prelim figs
MTM	139	-29	236	139	£49.5m rts issue to fund US purchase
RMC	600	+90	745	470	Improved outlook for European sales
Redland	559	+57	641	451	Favourable interim figures
Royal Insce.	406	+51	586	251	UBS recommendation
STC	281	+35	295	231	Takeover speculation
Sedgwick	199	+25	318	166	Morgan Stanley recommendation
UK Land	90	-25	475	88	Depressed property sector

WALL STREET

In deep water: outlook poor

JUST when the world had started to look a slightly less dangerous place, Wall Street woke up yesterday morning to a double dose of bad news.

First it learnt that in the early hours of the morning the federal budget compromise painfully worked out by President Bush and the Democratic leadership had been rejected by the House of Representatives – despite a day of fierce White House lobbying.

Then came word that September's employment statistics were significantly worse than the market had been expecting, underlining the fact the economy is on the brink of recession, or already in one.

It was hardly surprising, then, that the equity market took fright and the Dow Jones Industrial Average plunged by some 60 points in early trading, before recovering a degree of nerve.

The Congressional defeat puts the budget package back on the drawing board and, depending on political manoeuverings in Washington, could mean automatic spending cuts being triggered this weekend.

The mess will eventually be sorted out – the US can hardly operate for long without a budget – but the delay is likely to put off an easing of monetary policy by the Federal Reserve. Alan Greenspan, the Fed chairman, has been saying for months that a sensible budget package would allow the central bank to cut rates. On Wednesday he described the budget package thrashed out last weekend as "credible" and warned that Congressional rejection would be a grave mistake, producing an adverse reaction in financial markets.

Yet even if the package, or some modified form, does eventually get through Congress it will hardly be an economic panacea. The proposed cut in the budget deficit of $40bn in fiscal 1991 will still leave that year's deficit at $254bn – compared with the $64bn envisaged by the Gramm-Rudman deficit reduction programme. And there is considerable scepticism about the chances of achieving the longer-term goal of cutting some $500bn from the deficit over five years.

At the same time, the Fed is still deeply concerned about the threat of inflation and this, coupled with high interest rates abroad and pressure on the dollar, is likely to restrict any easing in the Fed Funds rate from its current 8 per cent to around a quarter of a percentage point.

As if all this were not enough, the Gulf crisis continues to rattle the markets, with equity and bond prices falling when oil prices rise and vice versa. And oil prices remain subject to every hint of good or bad news.

At some point the inevitable downward overshoot in this bear market will present investors with some excellent buying opportunities – and for selected stocks may already be doing so.

But with so much political uncertainty in Washington and the Gulf, it is impossible to fathom just how wide and deep the coming economic trough is going to be. Some useful pointers to the impact of rising oil prices and flagging consumer demand on corporate America will emerge later this month when businesses start announcing their third quarter results. Most analysts now appear to be expecting a slight decline on the average earnings reported in the second quarter. Looking farther ahead, the consensus is for earnings growth of about 5 per cent in 1991.

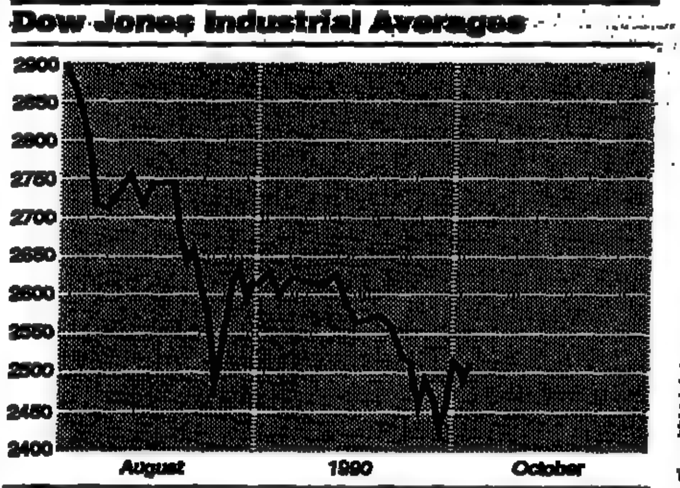
Yet even that modest figure may be on the high side, and with the historic price/earnings ratio on the constituents of the Standard & Poors 500 index standing at over 14.5, the market is still not particularly cheap for an economy staring recession in the face.

So the outlook is for a continuation of the bear trend, with periodic upward spikes on good news, such as passage of a budget, monetary easing, or a respite in the deal-famine that has afflicted Wall Street since the Gulf crisis.

There could hardly be a less propitious background for attempting the biggest ever employee buy-out in US history. And it would be doubly hard to do so in the airline industry, hard hit by the rise in oil prices.

Yet this is precisely what unions at United Airlines, one of the largest US carriers, have been attempting since April; their deadline for organising finance expires next Tuesday. Wall Street has long been dismissive of their chances of success, but inspired leaks this week suggested the buy-out team might be making some headway in lining up bank finance, including a large commitment from a European house. A deal by the deadline still looks unlikely, but one would certainly help improve the market's dismal tone.

Dow Jones Industrial Averages



Monday	2515.84	+ 63.36
Tuesday	2505.20	− 10.64
Wednesday	2489.36	− 15.84
Thursday	2516.83	+ 27.47

Martin Dickson

GERMANY

Reunification ends the party

WHEN TERMS such as "defensive" and "selective" creep into brokers' reports, then you know the party really is over.

On the German stock market, that has been apparent for some time. Even German unification was not enough to lift spirits this week. On November 9 euphoria greeted the crumbling of the Berlin Wall, now many investors in German stocks are now nursing considerable headaches – "oversold" is what analysts call this complaint, specially now that foreign investors' ardour has cooled. Until the summer, Frankfurt was driven by prospects for West German companies in East Germany. Investors identified sectors where reconstruction would bring in big orders and profits, and share prices jumped accordingly.

Yesterday, the DAX index closed at 1,392, down 31 points on the day. This put it well off its end-March high for 1990 of 1,969 and not much above the end-September low of 1,385. The market's mood was hardly helped by the prospect of a DM1.35bn (£46m) rights issue from Allianz, the big insurance group, and a DM800m flotation from DBV insurance.

Two clouds loom over the market, one is the Gulf crisis, the other is the uncertainty surrounding the costs of unity and the awesome task of putting right the problems of eastern Germany.

Companies still hope to benefit from the task of rebuilding what was East Germany. But the economy of Germany's eastern states is in a bigger mess than was thought. Entrenched bureaucracies, ossified economic structures, ignorance of the free market and staggering pollution levels have made it clear that a period of what some economists call "creative destruction" is necessary before any economic revival can occur.

The bourse has had to come to terms with these sober assessments. German public sector borrowing will total at least DM100bn this year. With the economy in western Germany still buoyant, there is little concern that the country cannot afford the cost of reconstruction. The question is whether this will overload the bond market, lead to higher taxes, and ultimately produce inflationary strains which undermine the economy.

Most economists do not fear a damaging impact from higher oil prices as a result of the Gulf crisis. A full-blown military conflict, however, would clearly add a frightening dimension. Until that uncertainty is removed, the German market will remain depressed. Higher oil prices will also slow the traumatic recovery process in eastern Europe, including eastern Germany's; and put a lid on growth in the west.

Even so, the economy of what, until last Wednesday, was called West Germany is still forecast to expand by up to 4 per cent this year and about 3 per cent in 1991. Corporate profits, according to Degab (the investment analysis arm of Deutsche Bank), should grow by 5 per cent this year and 3.5 per cent next year; in 1989, they rose 13 per cent.

Degab expects the biggest profit rises in construction, where demand is still surging merrily, the retail and consumer sectors, and, at less dramatic rates, banks and insurance concerns. In all of these areas, the former East Germany should play an important role. Engineering profits will also rise respectably, but less steeply than in 1989.

Two of Germany's biggest sectors, cars and chemicals, are seen as having only limited prospects. Automobile profits, likely to be up by 2 per cent this year, are expected to dip by 2 per cent in 1991. Chemical earnings will be down by some 6 per cent this year, with a slight rise of 2 per cent in 1991. Signs of earnings fragility have already emerged: Profits of Volkswagen took a first-half tumble at the pre-tax level, though they were up in net terms, and results of the big chemical concerns were also down.

The high D-Mark has eroded profits of companies with large foreign, especially US, activities. However, a strong currency is also viewed as a valuable anti-inflation tool, one which the Bundesbank is determined to preserve, by higher interest rates if necessary later this year.

Which shares offer the best defensive strengths? Heinrich Ackermann, head analyst at Bank in Liechtenstein in Frankfurt, reckons car stocks should be avoided. More cars have been sold in Germany this year, but much of this reflects demand from the east. His preferences lie in consumer and service stocks, where he singles out Dresdner and Deutsche in banks, Douglas (perfumes and fashion), and Henkel (detergents and chemicals). He also likes Mannesmann in engineering and Veba in energy.

At Trinkhaus & Burkhardt in Düsseldorf, Christian Heger likes RWE, the electricity utility and Siemens, the electrical group, both active to the east, Deutsche Bank, and Allianz. He, too, is sceptical about cars, and also about high priced department store shares. Gone are the times when German shares seemed to be cheap any price; along with the new perspectives in the east has come greater volatility.

Andrew Fisher

COMPANY PROFILE

Footsie's new chorus-boy takes a bow

THE EXIT of Polly Peck this week from the limelight of the Footsie 100, if not from the glare of publicity, replaces one of the index's more high profile actors with Dalgety, a company more likely to play a role in the chorus.

In recessionary times, however, the supporting cast rather than the stars of centre stage often turn out to be the best perfomers. The three areas of business Dalgety is now emphasising – petfoods, snacks and food ingredients – are, in the words of chief executive Maurice Warren, "recession-resistant, not recession-proof". These defensive qualities were already helping Dalgety's shares to outperform the market before President Saddam Hussein nudged the world closer to recession.

In petfoods, demand is certainly resilient. As long as Mars, through its Pedigree products, continues to use its dominant market position to raise product image rather than squeeze margins, Dalgety's Spillers brands are well placed at number two in the market.

On the snacks and ingredients side there is buoyant demand for microwave and convenience foods, such as Dalgety's Pot Noodles, which require preservatives and flavourings. Demand for such products, perhaps surprisingly, is outstripping the growth of so-called healthy eating, while the fall off in restaurant business as the recession bites will also help maintain demand. However, steady growth in these areas has been marred by an indifferent performance by Golden Wonder.

Flour and baking, where Dalgety is Britain's third largest miller behind ABF and RHM, provides solid earnings from a mature but competitive market, while its animal feed and pig business, though cyclical, has been a strong performer.

However, Dalgety would be viewed quite differently had Warren not taken over as chief executive in June 1989 and almost immediately sold commodity brokers Gill and Duffus. Not only did this help slash gearing to its current level of around 17 per cent, it also brought Dalgety back on track to develop its core food business after five years in a low margin, volatile wilderness which had played havoc with its share price.

The sale of part of Dalgety Farmers in Australia is part of the same strategy and it seems likely that, sooner rather than later, Dalgety will sell Martin-Bower, the US food distributor, 60 per cent of whose sales are to the McDonalds hamburger chain. This sale would almost halve Dalgety's turnover, according to stockbrokers County NatWest, but would further improve gearing and probably earnings as well.

While this programme of disposals readies Dalgety for expansion in its core areas, the company is faced with a problem of where to go and what to buy. Dalgety, in common with other food companies, has started looking to Europe. Its acquisitions of small petfood and ingredients companies in Germany represent a toe in European waters but competitors such as United Biscuits, Pepsico and Nestlé are equally hungry to snap up companies in Dalgety's core areas.

Dalgety's 7.2 per cent yield gives the shares reasonable defensive qualities, according to analysts at Kleinwort Benson. The shares are on an p/e ratio of 9.3 for the year to June 1991, on prospective earnings of 38.9p per share.

Investors might consider that the new entrant to the FT-SE 100 could as easily have been Booker, the food and agribusiness group. Direct comparison is difficult: Booker carries more debt, but their yields and p/e ratios are similar. If it successfully sells some of the businesses it has bought, Booker could be a more exciting growth prospect than Dalgety.

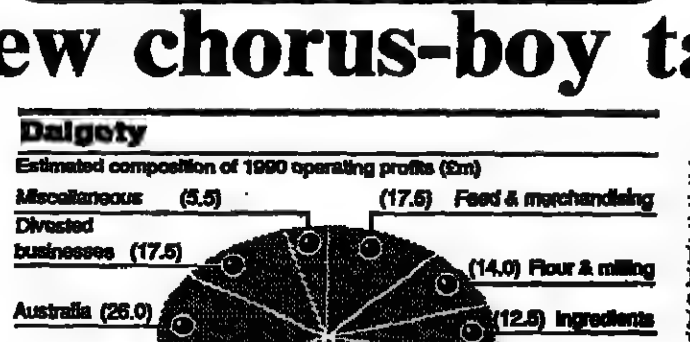
Richard Gourlay

DALGETY MAIN SUBSIDIARIES:

Dalgety Spillers Foods Ltd, Dalgety Agriculture, Martin-Bower, Dalgety Foods Ltd, Lucas Ingredients Ltd, Dalgety Farmers (Australia), Pig Improvement Company, Golden Wonder Holland, Hopermann (Germany), Paniermehl (Germany)

Dalgety

Estimated composition of 1990 operating profits (£m)



Source: County NatWest

PRE-TAX PROFITS AND EARNINGS PER SHARE

	1986	1987	1988	1989	1990
Profits (£m)	75	92.5	99.6	110.4	118.1
Eps (p)	24	27.8	29.9	33.6	36.3

FINANCE & THE FAMILY

"WELL TARQUIN, IT LOOKS LIKE SOMEDAY ALL THIS WILL BE THEIRS."

Sara Webb looks at ways to stop the taxman inheriting your money

How to leave a tidy legacy

NOBODY likes to think about death, but most people would prefer to leave their affairs in a reasonably tidy state for their heirs. Often this calls for careful planning.

For a start, it is very important to make a will. Dying intestate can leave terrible problems for your family as the estate will be split among the members according to English, Northern Irish or Scottish intestacy rules as appropriate. This could result in your wife or husband having to sell the home in order to provide the share of the estate owed to the children or other relatives.

Both husband and wife need to make a will, for even if one of them has very few assets in his or her name, once the spouse dies, he or she could inherit substantial assets: and these could be subject to inheritance tax (IHT) of 40 per cent when the second spouse dies.

It is still possible to change the terms of a will within two years of death by means of a Deed of Variation. For example, if a husband dies and leaves everything to his wife, she may already have sufficient income on which to live, so she could use a deed of variation to pass all or part of the bequest to the children. This could help to avoid or reduce IHT provided the amount passed to the children falls within the £128,000 IHT limit.

However, the Conservative government has threatened to do away with deeds of variation, so do not count upon being able to use it in the distant future.

When writing your will, you will obviously need to consider your entire wealth. Do you know how much you are worth? If not, you may have no idea of what your inheritance tax liability will be, and whether it is worth your while to reallocate the assets in order to save tax.

So it is a good idea to sit down and make a list of all the assets that you and your spouse own: your house, its contents including any valuables, any shares, gilts, unit or investment trusts, deposits, cash in the bank and building society accounts, National Savings certificates, life assurance policies if not written in trust, cars, holiday homes, caravans etc.

Then look at your debts and liabilities (if you have any). Do you have an outstanding payment to make on your home, or any large plastic card bills?

Deduct your liabilities from the assets and you are left with the net estate. This is what you have to consider for IHT planning purposes.

IHT is charged at a rate of 40 per cent once the following exemptions and allowances are taken into account:

■ All gifts between husband and wife, either during their lifetime or when one of them dies, are free of IHT. So if a husband dies and leaves everything to his wife, she does not have to pay any IHT on the estate. However, the couple should be aware that this may create a large IHT bill for their children when the second spouse dies and the estate passes to their offspring.

■ There is an IHT allowance – currently £128,000 – known as the nil rate band. So gifts to anyone (other than a spouse) worth up to £128,000 are free of IHT. This means that in the above case, when the second spouse dies and leaves the estate to the children, the first £128,000 of the estate would escape IHT, but the remainder would be taxed at 40 per cent.

> 'It is very important to make a will. Dying intestate can leave terrible problems'

For many people who own a family home in the south of England, the value of the property alone could well exceed the £128,000 threshold, so they need to be careful when it comes to planning how they want to leave their estate.

With a large estate, the heirs may face problems paying the IHT bill: they may not have enough money available, and it could be that they are unable to sell the assets in the estate until probate has been granted.

So how can you avoid some of these problems?

■ You can, when you write your will, make sure that your assets are split between you and your spouse so that both of you use up your £128,000 nil rate bands.

■ You can also make gifts during your lifetime to reduce the value of your estate. Gifts fall into two categories. Some gifts – known as exempt gifts – do not attract IHT at all. For example, you can give away up to £3,000 each year (in other words £6,000 for a couple) free of IHT, and if you only use up part of your £3,000 allowance in one year you can carry the remainder over to the next year. Also, any small gift of up to £250 is free of IHT and you can make as many of these as you like to relatives, friends, or offspring provided you do not combine these with a £3,000 exempt gift to the same person in the same tax year.

Gifts of money to a bride and groom on marriage are also exempt from IHT: for example, a parent can give up to £5,000, a grandparent £2,500, and other friends £1,000 each to the bride and groom on marriage.

Other gifts above the £3,000 limit are only free from IHT if you survive for seven years after making the gift. They are known as potentially exempt transfers (PETs).

If you die within the seven years, then the gifts are liable to IHT on a tapering scale: so, for example, if you die between one and three years after giving away a large sum of money, it would be liable to 40 per cent IHT; if you die between three and four years later, the IHT is 32 per cent; between four and five years, the IHT is 24 per cent; between five and six years, IHT is 16 per cent; between six and seven years, IHT is 8 per cent; and after seven years there is no tax.

■ If you know that there is no way of avoiding IHT, you can set aside money to help your heirs meet the IHT bill. The usual way is to set up a life assurance policy, written in trust.

You need to choose a level of life cover which is adequate to cover your potential IHT liability (so you need to calculate what your liability might be first). The life cover should be linked to the RPI so that as the value of your estate rises with inflation, the policy value will keep pace. If written in trust, the proceeds do not count as part of the estate and so are not be subject to IHT.

It is important to write the policy in trust so that the proceeds of the plan are paid directly to the trustees on your death: the trustees will then be able to pay your heirs who can quickly settle the IHT bill without having to break up the estate.

■ *Next week, details of how individuals cope with IHT planning.*

Another bad month in the unit trust fund sector

SEPTEMBER was another bad month for unit trusts in terms of performance, as the volatile stock markets and oil price increases resulting from the Gulf crisis took their toll.

Twelve of the funds lost more than 20 per cent of their value during the month, with Providence Capital Thailand down by 26.4 per cent, Capital House Japan Growth losing 23.9 per cent, and EFM Smaller Japanese Companies falling 22.9 per cent.

Top performers over the month were Waverley Australasian Gold which increased in value by 3.2 per cent, and City Financial Beckman International Capital which gained 2.9 per cent.

The worst performing unit trust sector is Japan with an average fall of 41.5 per cent over year to October 1. The Far East (including Japan) sector fell by 35.5 per cent over one year, while the Far East (excluding Japan) sector fell by 23.1 per cent.

The best performing sector over one year was the money market fund sector with an average increase of 6.7 per cent.

The worst performing funds over one year were mainly in the Japanese sector and the smaller companies sector. Windsor Smaller Companies fell by 59.4 per cent over one year, while the various Japan index tracker funds run by Morgan Grenfell, James Capel, Royal Life and Legal & General, all fell by over 50 per cent.

However, over five years, the top-performing funds have been in the Japan sector.

S.W

INHERITANCE TAX

Own up to ensure occupation

CAN YOU please explain the difference between "joint tenants" and "tenants in common", and the benefits to be obtained from switching from the former to the latter.

If each spouse leaves his/her half of the value of the house to the children, can any difficulties arise to prevent the surviving spouse continuing to occupy the house until his/her death? Is there any advantage in leaving, say 40 per cent of the house, instead of 50 per cent, to the children?

■ Under a joint tenancy the whole beneficial interest accrues to the survivors(s) on the death of one joint tenant, regardless of what is in the deceased's will; but with a tenancy in common only the legal title accrues in the same way while the beneficial interest will pass as directed in the will (or under the intestacy) of the deceased tenant in common. The advantage of the latter is that the joint owner who wishes to pass his or her interest to someone other than the remaining joint owner(s) can do so in his/her will.

If the surviving spouse is to remain in occupation it is desirable that the survivor can claim to occupy by virtue of having the largest share in the property: so a gift of 40 per cent is preferable to one of 50 per cent.

Tenants in common

MY WIFE and I are equal joint owners of our home and have each willed our share to the other.

We should be grateful to know if an amendment to our respective wills will be necessary to gain benefit for our children by us becoming tenants in common, as at present our two children and five grandchildren are only mentioned in our wills for a share in the remaining assets.

Is it necessary for the letter (or letters) of change to tenants in common to be witnessed by a third party?

■ It would be wise to consider making a disposition of part of each half share in the house to someone other than the surviving spouse if the value of the other assets given to children and grandchildren does not amount to £128,000.

A house divided

I LIVE in a large house, run a business from it (no room is used solely for business purposes) and have four lodgers occupying the first and second floors. All use a common entrance.

The house is valued at £200,000 and my other assets amount to £130,000. I wish to leave half the house to my grandchildren and half to my son. The remaining assets are to be distributed by form of legacy. My son resides with me and it is my desire that he continues to do so. The grandchildren are adults and live abroad.

■ If your son resides and continues to reside with you it should be possible to make a gift which is not treated as a reservation of benefit provided that your son bears his share of all the outgoings (after the gift) and he probably ought to share the income from lodgers as well.

We advise a gift of rather less than a half share, say one third. This is based on the reply given by the Minister in Standing Committee on 16 June 1986: "For example, elderly parents make unconditional gifts of undivided shares in their house to their children, and the parents and their children occupy the property as their family home, each owner bearing his or her share of the running costs.

In those circumstances, the parents' occupation or enjoyment of the part of the house that they have given away is in return for similar enjoyment by the children of the other part of the property. Thus the donor's occupation is for a full consideration."

Clause for concern

MY WIFE and I own our house as tenants in common, and in the hope of reducing Inheritance Tax liability have now made wills in which each of us leaves our half in equal shares to our four daughters. Our solicitor has included a clause which reads "and I direct that no sale of such property shall take place without the consent of my said Husband/Wife during his/her lifetime."

I am a little worried about this. Is there any risk that it could be held to create a residuary interest in favour of the surviving spouse, which would nullify the attempt to reduce Inheritance Tax liability?

■ We think that your concern is justified. The direction not to sell during the surviving spouse's lifetime could be construed as creating a life interest. It would be safer to leave less than a half share to the four daughters and leave the rest of that share to the surviving spouse.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Jointly-held assets

I HAVE always assumed that where assets are held jointly be husband and wife, upon the first death while a share forms part of a deceased's estate, such assets pass automatically to the survivor, free of Inheritance Tax.

I also understand, and have confirmed with my society, that building societies transfer jointly held funds to the survivor upon production of a death certificate. The survivor then being the sole owner of those funds, how can tenancy in common arise and the legacies be paid?

■ Although the Inland Revenue will treat the account as being a tenancy in common it is correct that the funds will accrue direct to the survivor. Hence, they will not be available for distribution to legatees unless the personal representative establishes that the half share which accrued automatically to the survivor actually belonged to the estate and should be paid to him.

You are therefore right to act on the assumptions which you have made as to survivorship.

FINANCE & THE FAMILY

Clare Pearson outlines the similarities and differences between the water and electricity flotations

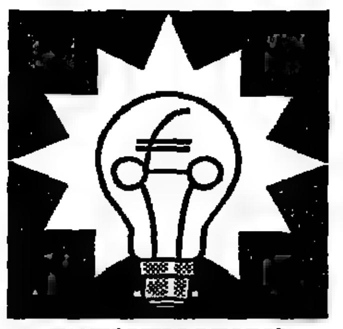
Why the local customer comes first

THE RUN-UP *to the flotation* of the regional electricity companies is probably inducing a sense of *déja vu* in those people who participated in last year's water share sale.

But it is also expected to work to the advantage of the Government in selling the shares: the flotation of water was *a big success. The Bristol*-based Electricity Share Information Office is the water office reincarnated, with the same telephone number *(0272-272272)*.

As in water, incentives for individuals to buy shares in the flotation, which were announced this week, have been structured so as to encourage people to buy shares in their local companies. However, *there* are some clear differences.

When it comes to filling in share application forms, people will be asked to opt to receive *either loyalty bonus shares or* vouchers which may be used to reduce electricity bills. This marks a departure from water – when the alternative was cash *discounts* off subsequent payment instalments.


PRIVATISATION

The other notable difference lies in the timescale under which the benefits become available – and this marks electricity out from *all* the precedents. *The first electricity vouchers will be sent out next* August, ahead of the second payment, which will not become due until October. At the lower levels of share alloca*tions, investors will receive* vouchers but still be able to sell shares before making the second payment.

As the table shows those *with more shares will have to* hang on to get the full value of vouchers. The value varies between £18 on a minimum investment of £100 – that is, 100 shares at the first instalment price, which has been set at 100p per share – and £270 on an investment in 1,500 or more shares.

The loyalty bonus shares, on the other hand, are being offered on the same basis as previous privatisations. *To* become eligible, you must hold shares bought in the flotation *for* three years.

If you are a customer of the *company in which you hold* shares, you will then receive bonus shares on a one-for-10 basis, up to a maximum allocation of 300.

People living elsewhere in the UK, and those choosing to buy shares outside their geo*graphical area, get* a significantly less attractive deal than the customers.

The only perk they stand to receive is a bonus issue of *shares on a one-for-20 basis, up* to maximum of 150 shares.

Clearly, if you want to take advantage of these inducements to local investment, it is vital to know whether you qualify as a customer as defined by the Government.

Banish *from* your mind any thought that the customer is the person who normally pays the electricity bills. Every individual who is a member of a *household receiving electricity* from a company qualifies; and members can pool their voucher allocations to go towards paying an electricity bill. In effect, virtually every person in England and Wales is included in this definition.

But remember that you will disqualify yourself from all benefits if you fail to register your interest in buying shares with the Electricity Share Information Office.

This can be done either by telephoning the office on the above number; or by writing to PO Box 3, Bristol BS99 1SU; or by completing coupons in newspapers.

You may find that you are a customer of more than one regional company. In that case, you can register for incentives in each company of which you are a customer. However, when it comes to applying you will have to choose just one company from which you want to receive incentives.

Illustration of voucher entitlement

Shares	Vouchers Aug 91	Feb 92	Aug 92	Feb 93	Aug 93	Total value
100	£18					£18
200	£36					£36
300	£54					£54
400	£54	£18				£72
500	£54	£36				£90
600	£54	£54				£108
700	£54	£54	£18			£126
800	£54	£54	£36			£144
900	£54	£54	£54			£162
1000	£54	£54	£54	£18		£180
1500+	£54	£54	£54	£54	£54	£270

A stormy time for insurers

Richard Lapper on why your premiums will cost more

HOUSEHOLDERS could face increases in the cost of their buildings *insurance policies* next year, as insurers seek to recover from record payouts following last winter's storms.

Price increases could be particularly *steep* for homeowners in areas of the country which insurers consider to be at special risk to flooding, subsidence or storm damage.

Britain's leading insurers are actively considering the introduction of a zoning system in which rates would be varied according to the degree of risk, in much the same way as insurance premiums for house contents or cars vary according to the buyer's location.

But insurance buyers do have a choice. The grip of the leading companies on the home insurance market is no longer as strong as it was, especially with the arrival of a number of companies selling policies by telephone.

The storms which battered north west Europe in January and February caused insured losses of more than £2bn in the UK. Most British insurers were protected by reinsurance policies, limiting the impact on their accounts. Even so the companies reported miserable half year results in the summer, citing bad weather as one of the principal factors. Four of *Britain's five biggest general* insurers recorded losses at the half-way stage.

Subsequently, the *dry* summer has led to an upsurge in insurance claims from subsidence damage. Claims could amount to as much as £400m, according to the Association of British Insurers (ABI), more than twice as high as the previous worst year. Worse still, it has become clear in the last few weeks that reinsurers are about to increase the rates they charge – by up to 300 per cent in some instances.

Although windspeeds were lower, the cost of this year's European storms was higher than the hurricane of October 1987, Britain's worst storm for nearly 300 years. Analysts at big European reinsurance companies such as Munich Re and Swiss Re are beginning to reassess their rates.

Presenting their interim results, a number of British insurers hinted that these pressures might well lead to increased rates. At present Sun Alliance, Royal Insurance, Commercial Union, Legal & General and General Accident all charge a standard rate of £2.00 for every £1,000 insured. Prudential increased its £1.80 rate to £1.90 earlier in the year and Guardian Royal Exchange charges £1.95. Traditionally these seven insurers have dominated the market, selling many policies through block insurance arrangements negotiated with building societies.

Insurance analysts believe rate increases of at least 10 per cent may well be in the pipeline for 1991. Householders buying their policies from brokers can expect to pay the increased rate as soon as they renew policies, while those buying through a building society would normally expect to pay after the societies renew block policies in the middle of next year.

Customers would be advised to look around. Last year *Which*, the magazine of The Consumers' Association, listed more than 30 insurers which charged rates of less than £2. For example Zurich, a Swiss insurer, offers a rate of £1.40 for properties built after 1919 and £1.70 for properties built between 1850 and 1919. This is only available to homeowners living in areas safe from flooding or subsidence.

However, even homeowners in high risk areas can get cheaper cover if they shop around. Cooperative Insurance Service (CIS), the Manchester-based insurer, recently reduced its rates to £1.60 for homeowners insuring homes built after 1945 and £1.80 for homes built before that date. CIS reduced the rates shortly after breaking a long-term arrangement with the Nationwide Building Society.

David Mott, public relations manager, says that CIS is "challenging the building society domination of the market." Buying insurance directly can cut costs significantly, he says. Building societies receive a commission of up to 40 per cent on policies they sell.

CIS says it is receiving 6,000 inquiries a week from potential new customers. The company is prepared to offer a 25 per cent discount off last year's premium to offset any administrative charges building societies may charge people who take business away.

Companies marketing insurance through telephone sales also stress that they are able to offer cheaper policies because they save on commission either to building societies or to brokers (about 20 per cent).

Martin Long, managing director of Churchill, a subsidiary of the Swiss company, Wintertur, says his company is able to undercut most of the market because of its use of latest technology and cutting out the middleman. Churchill offers customers special no-claim discounts for each year they avoid making claims. Additional discounts are available for people who are aged more than 50, or retired.

Direct Line, the direct sales subsidiary of the Royal Bank of Scotland, offers a basic rate *of £1.60*. According to Brian McKee of Direct Line, the company's business has doubled since it stepped up marketing efforts in June this year, with the launch of a national television campaign. Another companies pioneering telephone sales is The Insurance Service, which is owned by Royal Insurance.

Underwriters at Lloyd's insurance market offer a basic rate of £1.75 but substantially less than this for high value properties. According to Graham Lark, of the brokers Roger Lark and Sedgwick, the key element is a negotiable rate. For houses worth £250,000 rates of £1.50 are not uncommon. With a house worth more than £1m a rate of £1.25 is possible.

A charter for cold callers

STOCKBROKERS have not been allowed to make door-to-door calls on potential investors since 1929. That rule will be relaxed next year, if the Securities and Investments Board has its way.

The chief regulator of the investment industry has decided that it should extend the range of investments that can be sold through unsolicited means (a knock on the door, an unwelcome telephone call, an approach in the street). At present, only life assurance and unit trust investments can be sold this way.

*Rather than take the Con*sumers Association's advice and ban so-called "cold calling" altogether, the SIB has decided to allow more investments *to be sold this way. It first floated* its ideas in March this year.

Why? The SIB agrees that unwanted salesmen can be a nuisance. But it believes that, *properly controlled*, they do not put investors at risk of losing money.

It advances three arguments for liberalising its rules:

■ *Since the Financial Services* Act came into force in 1988, all salesmen have faced tougher regulation. For example, they have been under an obligation to sell a customer only investments which are particularly suited to him or her.

■ It is not in investors' own interests to have only a limited range of investment "products" available on the doorstep. They may end up buying a life assur*ance scheme, for instance*, when a unit-linked Personal Equity Plan is more suitable.

■ If people don't want to be bothered by unwanted tele*phone calls, they will be pro*tected by the Telephone Preference Service which is being planned by Oftel, the telecommunications regulator. Under this, telephone users will be able to say they want no "cold calls", and businesses will be forced to acquiesce.

The types of investment available on the doorstep will *fall into two categories*. First, there are "packaged products". These include life assurance policies, unit trusts, various types of PEPs and investment trust savings schemes.

The second type will be direct investment in equities. However, this does not mean that cold-callers will be offer*ing to sell you shares in*, say, ICI.

They will be limited to telling you about their services and reaching an agreement about *providing these, such as* dealing in, advising on and managing investments in shares.

The important thing to note is *that* they *cannot* advise you on the doorstep, or persuade you to deal: there is a "cooling-off" period after you reach agreement which allows you to pull out before using their services.

There is one other aspect to the SIB's proposals, which it claims adds to the protection of private investors. No-one overseas can contact potential clients in any circumstances unless they are authorised in the UK.

This is welcome as far as it goes. But the real problem from overseas is the difficulty *of detecting and* restraining people outside the UK. Investors themselves are the only ones who can put these unauthorised people out business. *How? By hanging up.*

Richard Waters

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
AMS Inds.	29*	27	20	8.85	Siemens Austria
Blackwood Hodge	31½	30½	21†	51.48	BM Group
Caird Grp.	100*§	93	75	56.45	Severn Trent
Caird Cv.Pf.2009	60.3*§	61	59	21.44	Severn Trent
Carroll (P.J.)	Ir160*§	Ir148	Ir125	Ir72.84♠	Rothmans Intl.
Chestergate‡	6½*	7	7	1.07	Farr
Connell	194*	192½	135	48.3	Scottish Widows
Dukeminster	75*	[illegible]	62	65.66	Asselpask
Hughes (H.T.)	[illegible]	121	81	30.87	Leigh Interests
Lowe Grp.	434	424	285	112.58	Interpublic
Mount Charlotte	73*§	69½	59½	392.60‡	Brierley Invs.
VPI Group	16☆	8	13½	7.12	Tranw'd Consortm
Yorkshire Radio‡	170††	168	131	16.05	Metro Radio

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 5/10/90. †At suspension. §§Shares and Cash. ☆Estimated figure, comprising 8p cash, a loan note, and a 'litigation unit'. ‡ Value of 61.1% not already owned. ♠ Value of 61.3% not already owned.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Adwest Group	June	12,480	(16,210)	14.1	(17.2)	7.0	(7.0)
Ardagh	June‡	4,350	(3,320)	20.5	(14.8)	5.0	(4.0)
Armour Trust	Apr	2,260	(2,050)	5.7	(5.6)	1.35	(1.2)
Barry Wehmiller	July	12,340	(8,090)	27.0	(22.5)	6.5	(5.8)
Beckman A	June	1,440	(1,200)	6.4	(6.3)	4.78	(4.78)
Churchbury Est.	Mar	8,980	(5,410)	72.3	(25.8)	-	(-)
Colroy	July	2,860	(4,370)	22.9	(30.5)	6.25	(7.5)
Cowan De Groot	Apr	163	(1,100)	-	(5.7)	1.25	(2.5)
Druck Holdings	June	4,220	(3,830)	40.0	(37.4)	8.2	(7.4)
European Leisure	June	6,660	(3,050)	6.73	(5.27)	1.7	(1.5)
Frogmore Estates	June	26,100	(30,400)	14.8	(27.7)	12.3	(11.0)
Galliford	June	10,310	(9,780)	8.12	(7.96)	4.25	(3.9)
High-Point	May	2,520	(2,440)	33.7	(31.1)	7.5	(6.75)
Lloyds Chemists	June	13,610	(10,250)	18.4	(14.8)	2.78	(2.21)
Maunders John	June	5,410	(7,140)	14.5	(19.1)	4.85	(4.75)
Murray Ventures	July	3,770	(2,430)	11.9	(6.52)	9.36	(7.2)
Newmark (Louis)	Mar	2,490 L	(1,000)	-	(19.1)	-	(14.7)
North Amer. Gas	July	1,100‡	(1,530‡)	3.19	(-)	3.75	(-)
Ossory Estates	June	7,218	(6,531)	1.67	(2.19)	0.86	(0.75)
Panfida Group	June	9,580 L	(153)	-	(-)	-	(-)
Photo-Me Int'l.	Apr	16,680	(16,370)	15.5	(14.7)	4.0	(3.0)
Raine Industries	June	27,310	(23,342)	14.0	(12.7)	6.75	(5.0)
Shepherd Neame	June	3,610	(3,550)	n/a	(37.8)	13.0	(11.5)
Specialeyes	May	2,710 L	(1,100)	-	(4.39)	-	(1.87)
Strong & Fisher	June	17,520L	(1,170)	-	(8.8)	2.0	(12.3)
Thorpe FW	June	1,370	(1,240)	29.2	(26.8)	7.5	(6.5)
Throgmorton Dual	July	1,960‡	(1,870‡)	8.52	(8.13)	8.75	(7.75)
Trafford Park	June	3,070	(4,400)	2.82	(4.56)	2.57	(2.57)
TSW-TV South West	July	4,700	(3,190)	13.6	(13.1)	5.0	(4.15)
Welsh Industrial	Mar	104	(24)	5.71	(1.01)	4.0	(1.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abtrust New Thai Inv	Aug	328	(-)	-	(-)
Addison Consultancy	June	239 L	(306)	-	(0.5)
Ambrit International	June	217 L	(875 L)	-	(-)
Arcolectric Hldgs.	June	371	(128)	0.48	(0.48)
Ash & Lacy	June	2,350	(2,170)	2.5	(2.5)
Automotive Products	June	8,200	(12,200)	-	(-)
Avonmore Foods	June‡	5,070	(5,610)	1.25	(1.25)
Bank of Scotland	Aug	105,500	(98,900)	2.0	(1.45)
Bank of Wales	Aug	617	(879)	1.0	(1.0)
BHH Group	June	4,280	(5,910)	1.0	(2.0)
Bilton (Percy)	June	7,830	(7,580)	5.4	(5.4)
Boosey & Hawkes	June	1,040	(875)	4.0	(3.3)
Bridgend Group	June	430	(177)	0.4	(0.35)
Broadstoner Holdings	July	6,400	(6,600)	-	(-)
BS Group	June	361 L	(354)	-	(-)
Camellia Investments	June	1,320	(1,020)	10.0	(9.0)
Canning W	June	4,770	(4,450)	2.94	(2.8)
Carlisle Group	June	3,790 L	(3,180)	-	(4.5)
Central Ind. TV.	June	6,790	(11,300)	7.5	(7.5)
Clarke Nickolls	June	382 L	(3,050)	0.25	(1.0)
Corton Beach	July	1,230	(2,260)	-	(-)
CRT Group	June	830	(4)	-	(-)
Cussins Property	June	1,600 L	(2,140)	3.75	(3.75)
Derwent Valley	June	197 L	(2,400)	2.75	(2.5)
Doeflex	June	717	(703)	1.32	(1.32)
Eadie Holdings	June	204 L	(1,210)	-	(1.0)
El Oro Mining & Exp.	June	1,340	(1,030)	-	(-)
Elam	Aug	1,120 L	(6,270)	1.2	(1.95)
Exploration Company	June	1,340	(1,130)	-	(-)
Finlay James	June	4,420	(4,920)	2.0	(2.0)
Harrisons & Crosfield	June	67,500	(56,200)	3.6	(3.3)
Hewden Stuart	July	15,660	(19,350)	0.82	(0.75)
Higgs & Hill	June	8,570	(10,090)	6.0	(4.4)
Holt (Joseph)	June	2,760	(2,420)	8.0	(7.0)
Ibstock Johnsen	June	22,200	(31,800)	2.25	(2.25)
Inoco	June	2,150 L	(768)	-	(-)
Jacks (William)	June	9 L	(404)	-	(0.9)
Jacob W&R	June‡	1,490	(1,140)	3.35	(3.0)
Kleinwort Gilt Fund	Sept	2,530	(3,030)	34.5	(34.5)
Lep Group	June	11,300	(9,310)	2.0	(1.75)
Martin (Albert)	June	464	(706)	1.6	(1.6)
Mayflower Corp.	June	190 L	(238 L)	-	(-)
Medeva	June	922	(1,159 L)	-	(-)
Nu-Swift	June	17,050	(16,400)	8.0	(7.0)
Palma Group	July†	909 L	(403 L)	-	(1.2)
PCT Group	June	563	(505)	2.4	(2.2)
Pittard Garnar	June	1,870 L	(2,010)	0.25	(1.95)
PML Group	June	808 L	(655)	-	(-)
Radamec Group	June	78 L	(1,690 L)	-	(-)
Rea Holdings	June	406	(314)	-	(-)
Rock	June	298 L	(590)	-	(-)
Sale Tilney	May	3,900 L	(2,400)	-	(6.0)
Sears	July	82,400	(91,700)	1.53	(1.53)
Sheffield Insulation	June	3,020	(2,260)	1.8	(-)
Sherwood Group	June	5,130	(4,140)	3.2	(2.5)
Smurfit (Jefferson)	July‡	82,450	(120,730)	1.57	(1.46)
Telfos Holdings	June	3,420	(2,890)	3.6	(3.6)
Tilbury Group	June	8,440	(10,230)	10.5	(10.0)
Time Products	July	5,280	(6,950)	2.65	(2.5)
Tootal Group	July	16,010	(19,250)	1.9	(1.9)
Toye & Co.	June	371	(322)	-	(-)
Triplevest	Aug	3,620	(3,210)	11.2	(9.9)
Venturi Investment	Sept	154®	(-)	1.31	(-)
Ward Group	June	5,280	(6,430)	2.4	(2.4)
Watts Blake Bearne	June	4,520	(4,350)	2.7	(2.6)
Wolstenholme Rink	June	1,884	(1,814)	6.3	(6.3)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.‡ Net revenue.‡ Figures quoted in Irish punts & pence.† This years figures for 7 months.® Income.

RIGHTS ISSUES

Hillsdown Holdings is to raise £3.3m via a 7-for-10 rights issue.
NTM is to raise £49.5m via a two-for-three rights issue at 140p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Amstrad	Wednesday	0.4	1.0	0.4
Cramphorn	Tuesday	1.65	4.6	2.0
Intereurope Technology Serv.	Monday	2.0	5.0	2.0
Lyles S	Monday	1.5	2.25	1.5
Microfilm Reprographics	Thursday	1.13	2.25	1.5
New Central Witwatersrand	Friday‡	47.0	92.0	47.0
Pochin's	Monday	4.0	20.0	8.0
Property Trust	Monday	-	-	-
Savage Group	Tuesday	1.5	2.0	1.6
Sinclair William Holdings	Wednesday	1.25	4.0	1.5
Town Centre Securities	Thursday	0.6	1.2	0.75
TR Far East Income Trust	Thursday	2.0	0.8	1.0
INTERIM DIVIDENDS				
Abtrust New European Inv. Tst.	Tuesday	-	-	-
Alexandra Workwear	Tuesday	1.6	3.1	-
Ashley Laura Holdings	Tuesday	0.85	-	-
Austin Reed	Wednesday	3.0	6.6	-
Avia Petroleum	Monday	-	-	-
Barlows	Wednesday	0.825	1.65	-
BLP Group	Tuesday	1.5	0.5	-
BNB Resources	Thursday	1.3	2.7	-
British Dredging	Monday	2.6	4.4	-
Central & Sheerwood	Wednesday	-	0.1	-
Chepstow Racecourse	Monday	-	1.0	-
Cohen A & Sons	Thursday	6.6	16.5	-
Dauphin	Wednesday	1.5	3.3	-
Downiebrae Holdings	Friday	-	0.5	-
Fitzwilton	Wednesday†	1.6	2.0	-
Geers Gross	Friday	-	1.0	-
Grampian Holdings	Wednesday	1.6	3.0	-
Havelock Europa	Monday	-	2.5®	-
Helene	Friday	0.61	1.35	-
Helical Bar	Monday	2.4	7.6	-
Hi-Tec Sports	Wednesday	1.5	3.0	-
HTV Group	Tuesday	1.5	2.5	-
Hunting	Monday	3.5	5.5	-
ISA International	Monday	0.36	0.78	-
Jerome S & Sons	Thursday	2.6	6.8	-
Johnston Group	Friday	4.0	9.0	-
Lawrence (Walter)	Wednesday	2.0	6.5	-
London Atlantic Invest. Tst.	Thursday	0.63	1.67	-
London & Manchester Group	Tuesday	3.795	8.205	-
New Ireland Holdings	Thursday†	3.0	7.23	-
NMW Computers	Tuesday	-	0.25	-
North British Canadian Inv Co.	Monday	3.0	7.5	-
Polymark International	Wednesday	-	-	-
Forth Group	Monday	1.3	3.2	-
QS Holdings	Tuesday	-	3.75	-
Quarto Group Inc.	Thursday	1.5	3.375	-
Seafield	Tuesday†	0.5	2.0	-
Slingsby HC	Friday	2.0	5.5	-
S&U Stores	Tuesday	1.5	4.5	-
Svenska Cellulosa	Tuesday®	-	7.25	-
Touchstone Group	Monday	-	-	-
Walker Greenbank	Tuesday	1.0	1.75	-
Wensum Company	Wednesday	-	1.9	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.‡ Dividends quoted South African cents per share.® Dividend quoted Swedish krona per share gross.® Dividend payment for 38 weeks to 31/12/89.† Dividends quoted in Irish pence.

ADVERTISEMENT

Key Environmental Issues: No 6

COULD YOU PUT A VALUE ON A VIEW LIKE THIS? GOVERNMENTS DO.

Dr Anil Markandya talks about 'Green Economics' and its contribution to governmental thinking. A Senior Lecturer in Economics at University College, London, he is Associate Director of the London Environmental Economics Centre, an adviser in the past to the U.N. and World Bank, and now also lending his considerable knowledge to environmental projects being carried out in Europe, Asia and Africa. His views are his own and not necessarily those of British Gas.

Photography by John Swannell.

To many, the notion of 'Green Economics' must seem a contradiction in terms. Economists are viewed as individuals concerned with things like the balance of payments, the stock market and the state of the pound.

By contrast, environmentalists are pictured as rejecting materialistic values in favour of deeper, more basic ones. To them, an economist, like the cynic in Oscar Wilde, is one who knows the price of everything but the value of nothing, or at least nothing that matters, like caring for our planet and its many species.

As with many common perceptions this too is false, confusing the narrower concerns of some practising economists with those of what the subject stands for.

TRADITIONALLY, LABOUR, CAPITAL, LAND OR ENTREPRENEURSHIP WERE THE RESOURCES IN SHORT SUPPLY

Economics, or at least one important branch of it, is concerned with the allocation of the planet's scarce resources to achieve the greatest welfare for its human population. Traditionally these scarce resources were thought of as labour, capital, land and entrepreneurship. But the principle that other resources might also be scarce was recognised long ago.

The famous English economist, Arthur Pigou, pointed out in the 1930s that things like peace and quiet, and clean air and water could be scarce in certain situations. Moreover, he developed a theory of how such scarcity could be tackled to achieve a balance between the interests of those wishing to use the environment and those wishing to enjoy it. This theory influenced many economists, and Green Economics owes much to it.

What kinds of solutions does Green Economics offer to environmental problems? Just as a good marriage is made of finding a balance between differing interests and seeing the other's point of view, so economics seeks to balance the interests of conflicting groups.

These can be environmentalists versus industrialists and workers; or citizens of different countries; or present versus future generations. Economics rarely gives an absolute priority to one group over another.

Thus, policy towards air pollution has to trade-off the costs of such pollution against the benefits of the reduction to the affected individuals, and the same principle applies to all environmental problems.

The balancing of costs and benefits is achieved by using money values, which is something non-economists find very hard to accept. How, they say, can you value the benefits of a beautiful landscape? All that using money values does is to allow us to trade-off the benefits from one source against the costs from another.

Whether we like it or not, such valuations are implicitly being made all the time. A government deciding to build an airport in a location far from the city rather than near it on the grounds of noise nuisance has decided that the costs of that noise exceed the benefits of quicker travel. The same holds for individuals deciding to drink alcohol, or to smoke.

PLACING A VALUE ON BENEFITS TO UNBORN GENERATIONS

All this may make it appear that the work of a Green Economist is simple. It is not. There are difficult questions of valuation that have no easy answers.

How do we value the benefits to unborn generations? How do we tackle the difficult problems of lack of knowledge about the environmental effects of new technology?

A lot of intellectual effort is going into finding answers to these problems. Over the last few years two ideas have emerged that have found some consensus among economists and that act as guidelines to green economic policy.

The first relates to how particular environmental goals, once defined, can be achieved most efficiently. Here there is wide agreement, based on experience as much as anything else, that decentralised solutions are often better than direct controls.

Thus, the imposition of rules requiring industry to use certain anti-pollution equipment is a much more costly way of achieving a given reduction than setting an environmental tax and allowing industry to find its own most efficient way of controlling its pollution.

There are several such decentralized or 'market based' solutions, including environmental taxes and pollution permits. It should not be thought that such solutions are particularly 'right wing' in political terms. In fact, extreme liberal economists, of whom there are several in the United States, would reject any such solution as interventionist, which of course it is. It just happens to be an effective method of intervention in many, but not all cases.

SUSTAINABLE DEVELOPMENT IS WIDELY TOUTED AS A SOLUTION. BUT WHAT IS IT?

The second idea that has gained wide currency recently is that of sustainable development. Defining sustainable development is not easy; it is easier to know what is not a sustainable policy.

It is not sustainable to draw down natural resources, such as oil and other mineral wealth, without replacing them by other assets that will provide future generations with as high a standard of living as is currently being enjoyed.

Equally, it is not sustainable to destroy species and create irreversible losses without ensuring that at least some, somewhere, are preserved and accessible.

So Green Economics is not the dismal science in another colour. Nor is it an open licence to protect the environment whatever the cost. It seeks to make the case for the environment in terms that are understandable to those concerned with economic policy, and with government in general.

It is encouraging that even the Green Movement is taking the ideas expressed here seriously.

WHY BRITISH GAS IS RUNNING THIS AD

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FT/6

British Gas

Take care to avoid the Mr Micawber trap

ANNUAL income twenty pounds, annual expenditure nineteen nineteen six, result: happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result: misery.

Mr MICAWBER may not have been a qualified financial adviser but his famous dictum applies – particularly to many retired couples.

A fortunate few will have a husband who has worked for a company for 40 years, thereby retiring on two-thirds salary; having paid off the mortgage, they still have a lump sum to invest elsewhere. At the other end of the scale, all too many couples have to cope on a state pension and children's resources.

Many couples will be somewhere in the middle, with some kind of occupational pension, some savings and a valuable house. They, like Mr Micawber, will be aware of the importance of obtaining every last penny of income.

It is worth such couples remembering that their capital should not be frittered away too soon. Some people retiring now may spend almost as long in retirement as they have spent in a job. As Robin Knight Bruce, chairman of Knight Williams, a retirement consultancy, says: "People are living longer and retiring earlier. Our average client is 58 and his wife is 54, giving her a life expectancy of 30 years or so."

Given the need for income, it may well be tempting to take advantage of the inflated value of your house. Frequently, retired couples are sitting on an extremely valuable asset but are struggling to meet their income requirements. Many pensioners attempt to top up their income by remortgaging their houses.

Two common schemes are the investment bond and the roll-up loan. Under the former, the investor uses the cash received from mortgaging the house to buy a bond. The idea is that the bond grows sufficiently to pay the interest and provide income on top. Under a roll-up loan, no interest is, in theory, paid during the investor's lifetime.

But this week Age Concern, the old people's charity, warned that many couples can lose thousands of pounds through such schemes and risk losing their homes if things go wrong.

For example, if an investment bond fails to grow, then part of the bond is cashed in to pay the interest. The value of the bond could quickly erode altogether.

At current interest rates, the amount an investor owes under a roll-up loan would double in 4½ years. According to Age Concern, most lenders state that if at any time, the debt represents 75 per cent (or in some cases 60 per cent) of the value of the property, interest must start to be repaid. That could easily

Retired couples should still plan for the long term, reports Philip Coggan

mean having to sell your home.

Age Concern is particularly critical of some of the sales literature that promotes these products. The charity feels that the risks are not pointed out to potential borrowers.

In fact LAUTRO (Life Assurance and Unit Trust Regulatory Organisation) recently pointed out in its Enforcement Bulletin that bond-based home income plans "are likely to be suitable only for a very small minority of investors."

LAUTRO's enforcement officers will therefore need to be convinced that there are very good reasons for selling such policies given the current combination of a depressed housing market, high interest rates and volatile stock markets.

According to Cecil Hinton, of Hinton and Wild (Home Plans), many elderly people have suffered considerable worry and financial loss as a result of investing in such policies.

Mark Rittner, of financial services group Rathbone Brothers, says that the only real answer for the couple with a large house who want to unlock income is for them to trade down and move to a smaller property. They can then invest the difference for income. However, many people are reluctant to move from a house they have lived in for years.

If you are not prepared to move to a smaller house, what is the best way of using any capital sum you have to top up your income? If the husband has a large enough pension to take him into the higher tax bracket, or if the wife has no income at all apart from the state pension, one immediate step to take would be to transfer as many investments as possible into the wife's name. By doing so, investment income will be taxed at the wife's lower (or nil) rate.

Apart from that, the experts agree that it is unwise to keep all your money in a building society. The rates may be very high at the moment but they are likely to fall over the next few years. And if you spend all the income, the value of your capital sum will be quickly eroded by inflation.

Elaine Baker, of financial advisers Noble Lowndes, recommends guaranteed income bonds which involve the payment of a lump sum, in return for a fixed income for five or ten years. When the bond matures, the capital is usually repaid.

Guaranteed income bonds are currently offering high returns because of the current level of interest rates. Colin Jackson, of Baronworth Investment Services, says that the best rates currently on offer for a sum of more than £2,000 are 11 per cent (from Prosperity Financial Services) over three years and 10.9 per cent (from Financial Insurance Group) over five years. Both rates quoted are net of basic rate tax.

Annuities involve the payment of a lump sum to an insurance company which, in return, will pay a fixed income until the investor dies. The lump sum is rarely returned. A joint life annuity will pay out (at a lower rate) until both partners die. Most experts seem to agree that it is best to wait to buy annuities until you are around 75. This is because inflation tends to erode the value of the fixed income over a long period and because insurance companies offer better rates to older investors.

THE SEVEN AGES

No. 6. THE COUPLE AFTER RETIREMENT.

Mark Rittner believes in drip feeding capital into annuities. "If you have £40,000 of cash now, you could put £10,000 in an annuity now and perhaps another £10,000 next year, leaving the rest in the building society."

If you can possibly afford to live without all of the income from your capital, you should try and ensure that the remainder keeps pace with inflation. The 5th issue of index-linked certificates offers a tax-free return of 4.5 per cent above inflation if the certificates are held for five years. But the returns are much lower if you have to cash in early, and of course, you receive no income until the certificates mature.

And despite the current problems of the stock market, equities offer probably the best inflation-proofing of all. Studies conducted over long periods show that equity investments easily outpace all other investments, and inflation too.

Robin Knight Bruce, of Knight Williams, believes pensioners "must not lose faith in equities" at the moment. He would advise a couple with a lump sum of £50,000 on retirement to invest £35,000 in managed equity investments with the rest in a cash fund to prop up the income.

The better-off senior citizens are obviously the most likely to invest in equities. But many retired couples may find that the value of their house alone brings them into the inheritance tax net. On page III of this issue, we cover the best ways to cope with Inheritance Tax.

Diary of a Private Investor

Do not neglect the small fry

THE CONTINUING uncertainties in stock markets around the world, and gloomy forecasts in the UK, emphasise that companies need to do all they can to keep – and attract – private investors.

But many companies consistently court institutional investors while bleating about their alleged "short-termism". Analysts at City institutions receive visits – sometimes expensive meals – and factory tours; private investors are generally deprived of such delights.

Some companies seem to think that many private investors are too stupid to understand company reports and accounts – yet it is often private individuals who pick up mistakes in the accounts.

So I give three cheers to Hampson Industries – a company in which I am a shareholder – and which genuinely seems to care about private investors. Indeed, John Wardle, chairman, said in the company report: "We care deeply about personal shareholders. All companies welcome and respect institutional shareholders, but in my view a board neglects the personal investor at its peril."

Hampson is involved in engineering, manufacturing, industrial cleaning, maintenance and allied services. Wardle has always made his reports witty and readable. Would another company chairman write thus?: "During the last 28 years I have had the privilege (occasionally a dubious privilege) to sit on the board of rather a lot of public companies – which does not imply that I am any good at it, as experience does not necessarily imply wisdom. It is possible to do something rather badly for an awfully long time."

One warms to a company that states, like Hampson: "Serious consideration was given to a refurbishment of the head office with a view to creating a dedicated office for the managing director, a re-sited boardroom and improved meeting facilities. When an estimate was received for the work which amounted to approximately five times the book cost of the original building this project was quickly abandoned."

Wider share ownership should, theoretically, mean more stability in a company's share price. Unfortunately, UK market makers currently "mark down" a share price in an attempt to create business even if no one is buying or selling at that lower price.

It is a pity that the government, which includes a commitment to wider share ownership in its manifesto, instead continues to allow institutional investors considerably more (and better) tax breaks on investment in shares than it gives to direct investment by private individuals.

In recent years, Conservative ministers have raised maximum capital gains tax rates from 30 per cent to 40 per cent, and passed legislation which can deprive shareholders of a full copy of the company report unless they specifically write to the company and request one.

British Telecom's statement to shareholders, issued earlier last month, disclosed that "only about one shareholder in 40 has asked to be sent a full report and accounts." If it had been written in Wardle's style would more people have

requested it?

However, British Telecom does seem to care more than most large companies about its private investors. This month it is continuing its series of informal meetings for shareholders with meetings in Cardiff, Edinburgh and London. More companies should actively promote themselves in this way.

Company reports should be better produced. This does not mean more colour photos of the directors – but more interesting information presented in a readable style.

Besides looking for readability in company reports, I also look for evidence of faith in the company by its directors – such as an increase in their shareholdings – little or no debt, good profits and prospects, or, as in the case of companies like HC Slingsby, a statement: "The directors are of the opinion that the present value of the company's land and buildings is substantially in excess of net book value."

Kevin Goldstein-Jackson

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	5.00	5.10	4.08	monthly	1	under 5,000	0-7
High interest cheque	9.20	9.60	7.68	monthly	1	5,000-9,999	0
High interest cheque	9.40	9.80	7.84	monthly	1	10,000-24,999	0
High interest cheque	9.60	10.00	8.00	monthly	1	25,000-49,999	0
High interest cheque	10.20	10.70	8.56	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
High interest access	9.00	9.00	7.20	yearly	1	500	0
High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.50	10.50	8.40	yearly	1	10,000	0
90-day	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999	90
90-day	11.50	11.83	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	12.75	9.56	7.65	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 min.	3 mths
35th issue‡	9.50	9.50	9.50	not applica	3	25-1,000	8
Yearly plan	9.50	9.50	9.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applica	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.72	11.26	9.01	monthly	1	2,500	0
Provincial Bank	11.02	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	12.98	10.88	9.64	half yearly	4	-	0
8pc Treasury 1992	12.69	10.60	9.35	half yearly	4	-	0
10.25pc Exchequer 1995	11.91	9.25	7.55	half yearly	4	-	0
8.5pc Treasury 1994	12.13	9.17	8.51	half yearly	4	-	0
3pc Treasury 1992	10.40	9.59	9.10	half yearly	4	-	0
Index-linked 2pc1992§§	12.46	9.88	9.37	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day: Immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source.Phillips and Drew. §§Assumes 6.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

THE WEEK AHEAD

Amstrad feels the pinch

THE DOWNTURN in demand for business computers is expected to have cut heavily into margins at Amstrad, the UK electronics company due to report full year results on Wednesday. Analysts expect pre-tax profits of £40m to £45m, compared with £76.6m last year. Turnover should be static at around £630m to £650m, with disappointments from the professional computer range and most other products, except for recent promising satellite dish sales.

There are still some structural problems but the company could be past the worst, with anticipated write-offs of over £20m to cover its investment in US-based Micron Technology. From debt of £150m in 1989, Amstrad should have net cash, and inventories halved from last year's £350m.

Laura Ashley, the clothing and home furnishings group which has just announced a cut in its manufacturing division involving the loss of 1,000 jobs, is to announce its interim results on Tuesday. These are expected to show how tough the retailing market has been for Laura Ashley although the company may just break even at the interim stage. Followers are looking for a more satisfactory outcome for the full year and around £5m in pre-tax profits.

Analysts will also be keen to know how Laura Ashley's recent agreement with Jusco, the Japanese retailing group, will help to strengthen its position.

Glaxo peps employees

GLAXO IS to join the ranks of companies offering employees and private shareholders a tax-efficient way of buying shares.

On Monday, like many other companies over the last few months, Glaxo willlaunch a corporate personal equity plan (PEP). As with normal PEPs, if an investor holds his Glaxo shares inside the corporate PEP, he will not have to pay tax on his capital gains and income.

With only an estimated 10.8m private shareholders in the UK, the Thatcher government's goal of increasing share ownership cannot be called a stunning success. However, many companies are keen to encourage wider ownership of their shares among employees and small investors, and the corporate PEP is one way of increasing the appeal of their shares.

For example, Glaxo says that of its 11,000 employees in the UK, 7,000 own Glaxo shares. However, it hopes that up to 100,000 existing shareholders (including these employees) will take out PEPs so that they can invest in Glaxo in a more tax-efficient way.

Smithkline Beecham launched a corporate PEP this week aimed at employees, but not outside shareholders. In this case, the company is matching contributions made by the employees. "We wanted to offer all employees the chance to share in the growth of the company" said a spokesman for Smithkline Beecham.

More than 30 companies have launched their own corporate PEPs, including such names as Boots, Reed International and Abbey National. Already three of the 12 electricity companies due to be privatised are considering launching PEPs alongside. However, if you are thinking of applying for shares and putting them in a PEP, remember not to make a joint application with your husband or wife because joint applications cannot be trans-

Sara Webb on the corporate PEP's appeal for small investors

ferred into a PEP.

Richard Cockman of CC&P consultants – which acts as plan managers for a large proportion of corporate PEPs – claims that company PEPs have attracted a lot of interest from employees and small shareholders. When Smith & Nephew launched its corporate PEP, it received requests for 10,000 information packs: so far, out of 40,000 shareholders, some 1,200 have taken out a PEP.

British Aerospace sent out about 6,000 information packs for its PEP, and so far about 700 people have joined the scheme.

Should investors be interested in corporate PEPs ? Bearing in mind that you are only allowed to buy one PEP a year, with a current maximum investment of £6,000, you need to consider first whether you are prepared to use this up by investing in just one company. It is very risky to invest all of your spare savings in one company's shares – most advisers recommend as wide a spread of shares as possible, and they would probably suggest a PEP which allows you to choose your own portfolio of shares or to combine unit or investment trusts with a selection of shares.

However, if you decide that you want to invest in your employer's shares or in a particular company long term, then a corporate PEP does provide a tax-efficient means of doing so, particularly if you are a 40 per cent taxpayer.

Be aware that if you already own the company's shares and want to transfer them into a corporate PEP, you have to sell them first and then buy them back in the PEP, for which you will be charged broker's commission. You should check whether you can sell and buy back at the same price – in some cases, you can.

However, Bradford & Bingley, which acts as plan manager for several corporate PEPs (for example, organising the receipt of standing orders from employees, buying the shares, placing the shares in the PEP, sending out statements and reclaiming tax from the Inland Revenue) warns that investors may well find there is a spread on the share price, although it said that on a blue chip share the spread should not be too wide.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Brent Chemicals	60,000	81	1
EFT Group	1,000,000	240	1
England (J)	272,728	76	1
Enterprise Oil	34,817	226	1*
Eurotherm Inter	25,000	56	1
Fisons	12,000	43	1
Macro 4	25,000	57	1
Sainsbury (J.)	29,857	77	2
PURCHASES			
APV	82,647	61	4
Asda Pr (Conv Pref)	250,000	126	3
Assoc British Ports	6,000	12	2
Beazer	102,000	91	2
Braithwaite	100,000	205	1
Braithwaite (Conv.)	190,000	97	1
Burford Holdings	150,000	49	1
CIA Group	55,000	49	1
Crossroads Oil Grp	35,000	23	1
England (J.)	272,728	76	2
Everest Foods	25,000	20	1
Hawker Siddley	8,000	32	2
Kalon Group	65,000	20	1
Logica	100,000	155	1
London Forfaiting	206,725	157	1
Manpower	350,000	199	1
NMC Grp	100,000	60	2
NMC Grp (Cum Conv)	400,000	221	2
Norcros	132,000	121	6
Olim Conv. Trust	155,000	90	2
Pavilion Leisure	150,000	27	1
Psion	150,000	100	1
Rank Organisation	20,000	106	1
Reliance Security	15,000	21	1
Smith New Court	50,000	50	1
Starmin	172,480	29	4
Systems Reliability	100,000	72	1
Weir Group (Conv.)	15,658	39	1
Williams Holdings	100,000	190	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £20,000. Information released by the Stock Exchange 24-28 September 1990.1990.

Source: Directus Ltd, Edinburgh

Directors'

SHARP FALLS in many stocks have been preceded by downgrades of profit forecasts, with high interest rates cited as the principal problem. Many directors, often with relatively small holdings, have taken this opportunity to pick up shares.

Shares in Norcros, the building materials and packaging group, have fallen from a high of £4.50 at the time of the failed bid from Williams Holdings in 1987 to 89p last week. All the executive directors have increased their holdings considerably at this level. Coincidentally, the chairman of Williams Holdings, Nigel Rudd, has bought 100,000 shares in his company for his child at 190p.

Three directors of APV, the engineering group, have bought shares. The company chairman also indulged in a bed and breakfast transaction (selling shares and immediately buying them back) in respect of 10,000 shares.

The Fairfax family of Australia has been a major investor in Whitegate Leisure and has increased its holding still further now it has a representative on the board. Directors of Macro 4, a small computer software group, have reduced their holdings by a considerable amount although they still own a substantial number.

Due to the heavy amount of buying, the accompanying table shows transactions of £20,000 or more.

Authorised Unit Trusts managed by GT

Fund	Size	Launched	Performance 3 years	sector
American Spec Sits	8.8	1986	-17.3	-25.4
European	63.2	1982	-8.4	-8.5
Far East	31.1	1976	-14.7	-29.2
Germany	55.6	1985	+3.8	-8.5
Global Property	0.4	1988	n/a	n/a
Income	22.3	1973	-21.8	-21.9
International	23.6	1976	-28.2	-19.3
Int Income	28.4	1986	-19	-19.3
Japan	71.3	1974	-12.5	-18.8
Smaller Comps	7.8	1989	n/a	n/a
UK Capital	22.0	1970	-26.6	-35.6
UK Spec Sits	5.9	1988	n/a	n/a
US	17.2	1974	-20.4	-25.4
World Spec Sits	14.2	1987	-29.3	-27.4

Size of funds at 1 Aug in £m. Performance figures for 3 yrs to 1 Oct from Micropal

GT still rates a bullish verdict

VADUZ IS not a popular tourist haven for British travellers. Nor would the average investor choose a Liechtenstein-based bank as a haven for his funds.

But one of Britain's better known independent fund management groups, GT Management, is now a subsidiary of the Bank in Liechtenstein – part of a growing tendency for European financial services groups to make acquisitions in the UK.

Staff at GT are quick to say that their new parent does not interfere in day-to-day management. It is thought that the bank provides capital backing in return for GT's ability to beef up its presence in fund management.

GT took the surname initials of founders Tom Griffin and Richard Thornton when it was established in 1969. It quickly made a good reputation for managing Far East investments, and obtained a quotation by floating in 1986, close to the height of the bull market.

Investing in GT itself did not turn out to be profitable. The shares were originally floated at 210p, but the Bank in Liechtenstein only offered 180p when it made its bid three years later.

Fund management group profits are highly dependent on the level of stock markets and GT was also affected by a number of senior management changes.

However, since the takeover, GT has enjoyed a healthy rise in funds under management. It has had particular success, unusually for a non-US group, in the mutual funds market, the US equivalent of unit trusts.

But it also has unit trusts in Australia and Hong Kong, and offshore funds in Bermuda, the Channel Islands, the Dutch Antilles and Luxembourg.

GT's international network of offices is seen as its greatest strength – it is the second largest foreign manager of tokkin funds in Tokyo. This week, it announced a three-year agreement with Caixa de Catalunya, Spain's third largest savings bank, which will market GT's funds through its branches.

In the UK, GT is conscious that the recent performance of its unit trusts needs to be improved, according to Fund Research, the specialist group founded by Richard Timberlake and Peter Jeffreys. In particular, Fund Research says that the US funds and the UK Capital Fund have been disappointing.

The accompanying table (above) shows the unit trusts under its management. The absolute performances are poor because the base date was October 1, 1987, less than three weeks before the Crash. But in relative terms, GT has done well. Nine out of the 11 funds with three-year records outperformed their sectors.

Fund Research, in its survey of European unit trusts, gave GT Germany a three-star rating. The analysis is based on consistency of performance; only the top 25 per cent of funds are analysed and the ratings range between one and five stars.

However, the unit trusts account for only 8 per cent of GT's funds under management. The group also manages three investment trusts – Berry Starquest, USDC Investment Trust, GT Japan Investment Trust and a venture capital fund, GT Venture Investment.

Shares in GT Japan Investment Trust were the best performing of all investment trusts over the ten years to October 5, displaying a 690 per cent rise. However, both Berry Starquest and USDC have underperformed the FT All-Share and the FT Investment Trust sectors over the past three years.

GT's tendency to use local staff to manage its funds has tended, by necessity, to restrict the possibility of a uniform investment approach across the group.

The idea is that local managers add value and therefore they must be allowed to run funds in their own way.

It is perhaps too early to say whether the takeover by Bank in Liechtenstein will have a fundamental effect on the group or whether the decline in the Japanese market has fatally weakened one of GT's main perceived fund management strengths.

But Fund Research's overall verdict is pretty bullish: "GT is a fast-growing, thoroughly professional investment company with forward-thinking personnel round the world."

This is the second article in our series on fund management groups.

Philip Coggan

MINDING YOUR OWN BUSINESS

Well-heeled meals on wheels

Nick Garnett talks to a woman who offers hospitality from refurbished buses

THE DAY an air display by Harrier jump jets got too close to one of Moodies' marquees was not one of the Surrey company's better moments. The guests' beef stroganoff and Sancerre were hurled one way by the turbulence, the plates, cutlery and jumbo tent the other.

However, the blow was softened by a compensation cheque from the Ministry of Defence. For a company running a small fleet of hospitality buses and offering hospitality marquees, what is more of a headache is the peculiar mix of management problems which a business with a turnover of less than £1m continuously faces in this highly competitive market.

The business of Moodies, based in Haslemere, is largely seasonal. It provides hospitality facilities mainly for sporting events which are clustered from March to October. This involves the purchase of much high cost capital equipment with high depreciation rates: a second-hand bus kitted out for cooking, eating and entertaining costs £50,000. The company is forced into an almost unwieldy staffing structure with a full-time workforce of just five but with a list of more than 300 casual staff it calls on regularly through the season.

A lot of aggressive hustling is needed on the telephone to persuade corporate clients that they should use Moodies.

"I can hardly imagine any business which would be much more difficult to do than this," says Jenine Moodie, the company's founder and managing director. "Sometimes it is just hell but I have had no regrets in doing it."

Moodie, 38, trained as a solicitor. In 1979 she decided to get out and set up her own business. She spotted a double decker for sale at £850 in the *Exchange and Mart*, went up to Derby, bought it and drove it back to her Surrey home. She used £5,000 of her own money and a £5,000 overdraft to have the former London Transport AEC kitted out with six tables and a kitchen. The first customer to use the converted 1946 juggernaut was J Walter Thompson at a hospitality spree at the Varsity rugby match at Twickenham. A second bus, this time a Leyland Atlantian was bought in 1981.

Moodies now has six Leyland and Bristol double deckers, each with its own service van, some kitchen trucks and other vehicles as well as a selection of large marquees. Its owner claims for the company a pre-tax profit return of more than 10 per cent on turnover of around £800,000. It has been contracted by a large number of big corporate names such as Hitachi, Esso and Kelloggs, usually for sporting venues like Ascot and Brands Hatch. Some multinationals, such as Honda, are regular customers.

"Computer companies always seem to have enormous budgets and car companies do too. Engineering companies are not my favourite which means I'll probably get them on the phone now for saying that."

Providing mobile venues for shovelling food and drink down the throats of customers and keeping them out of the wet are not the only source of business. Promotion work is another lucrative field. Moodies has just completed a Warner Brothers promotional tour for Bugs Bunny's fiftieth birthday. The company dislikes handling fiddly contracts worth less than £2,000, preferring much larger operations for which Moodies charges up to £40,000 or £50,000.

Moodie is aware that corporate hospitality does not enjoy an entirely unblemished image. For sporting events, some of it verges on professional ticket touting, with too many seats at sporting events snaffled by corporate entertainment merchants at the expense of regular fans. She is sympathetic to the criticisms made of a rampant hospitality industry and her company is hardly ever engaged in procuring tickets.

In any case, there are enough headaches in coping with the cruel logistics of running a hospitality bus business. Moodie, whose husband also works in the company, pores through magazines looking for events that might attract corporate hospitality.

"Our newspaper bill is horrendous," she says.

She is on the phone for hours every day encouraging, cajoling, bullying companies into taking corporate hospitality packages at some of these events. "I did not like doing that when I first started but now I have got used to it."

Rounding up casual staff, usually aged 18 to 25, to prepare food, serve drinks and welcome guests, is one of the most time consuming and tiring jobs.

"It is the most difficult thing to do. I don't like doing it and no-one else does in the company, but it has to be done." Permanent staff includes two chefs – there is a choice of 20 to 30 menus – but most of the salaried workers have to put their hand to anything, including changing wheels on the vehicles.

Staff are travel to events in the service vehicles and minibuses run by the company. Along with them goes a vast array of cutlery and crockery. "We are effectively running a restaurant for which every item has to be transported each time we use it. We have enormous checklists. It is terribly labour and time intensive."

A mechanic visits the company's small store and garage premises in Liphook, Hampshire, to maintain and service vehicles twice a week.

Tony Andrews

Just the ticket: Jenine Moodie and her hospitality buses and vans are at all the top sports events

The doubled deckers, usually bought from bus companies, cost Moodies between £3,500 and £10,000 each. Kitting out with bars, re-conditioned commercial ovens, dining areas and televisions costs a surprisingly high figure – up to £40,000, sometimes more – according to the company. The resale prices of the vehicles is low; the buses usually go to Moodies' competitors. Marquees with tables and chairs can cost up to £30,000.

In anticipation of a downturn in the hospitality business this year, Moodies has trimmed staff and reduced floorspace. Two competitors have recently gone under and Jenine Moodie has begun to look at weddings and other family events as a source of alternative business. However, the company says it has not detected so far any significant downturn in the hospitality gravy train and the company's £100,000 overdraft facility remains unused.

Dealing with guests at hospitality functions is not usually a problem though Moodie says some male guests try to get too friendly with female staff, who are recruited partly because of their nice looks.

But what about Beaujolais louts? "Oh yes. Some men at one of the rugby events took their clothes off and started swinging from the marquee roof."

■ *Moodies, Three Gates Lane, Haslemere, Surrey. 0428-4310/52244.*

Pump meters which produce cash flow

MAURICE YATES has been more successful than he bargained for. His invention of a meter which measures the efficiency of pumps has taken off. Seven years after he left the security of his job as a water authority engineer to develop his idea, he has a thriving business employing 18 people and is on target for a turnover of more than £500,000 in the year to September 1990 and a healthy profit.

"When I first started, I thought I could interest about 100 stations in regular monitoring, enough to keep myself and a couple of others happily occupied." This was an underestimate.

So when Yorkshire Water approached him in 1989, Yates took the chance to share the responsibility of running a growing company and to enjoy some of the proceeds of his years of hard work. The deal also offered a measure of security when the water industry, which accounted for 95 per cent of his sales, was in the throes of privatisation and Yates did not know what that would mean for his enterprise.

Yorkshire Water has taken a 50 per cent stake in the company, Advanced Energy Monitoring Systems, and is making further performance related payments over five years. The deal allowed Yates to take out half of the £200,000 equity he had built. The link has also, he feels, given him more credibility with his mainly large, blue chip customers.

"I was lucky to start up in the mid 1980s, when the entrepreneurial, small is beautiful attitude was at its height," says Yates. Without Yorkshire Water he was ever-conscious of his small, West Country status. A grant from the DTI also helped get things off the ground, back in 1983. "Just applying for the grant really forced us to get our thoughts together," he recalls.

The product development grant was for £11,000 – one third of estimated costs. Yates had to raise the rest himself from a bank loan secured by his home.

An overdraft limit of £28,000 and a steady flow of consultancy work kept things ticking over slowly for the first couple of years, as development on the meter progressed from the kitchen table to the garage and into a 1,000 sq ft "shack" on the tiny industrial estate of Yates' home town of Ottery St Mary, Devon.

The first £15,000 portable Yatesmeter was finally sold in 1986. Since then around 40 portable units and 30 fixed installations for constant monitoring, costing £25,000 to £30,000, have been sold.

Once the equipment sales began, the proportion of consultancy income dropped back to a level that ranges between a quarter and a half of turnover. The sales potential for the Yatesmeter in the UK water industry alone is huge. Yates estimates there are at least 10,000 pumps over 100kW on which significant energy savings could be made if they were constantly monitored. Pumps are also used extensively in processing industries.

Yates also has his eye on exports: he has already sold meters to India and Japan. Countries with big mining and therefore pumping industries such as Australia and the US are definite targets.

Yates reckons one of the best pieces of advice he had in the early days came from a London agency, which suggested the name Yatesmeter: he had originally planned to call it the electronic efficiency meter. There are clear benefits to having your name linked with what is now a generically accepted term.

He also believes that it was worthwhile going to the expense of UK and US patents for the key parts of his invention. "I stopped counting after £20,000 – the patent agents' fees alone are £100 an hour. But it gives us protection, which is even more important if you are small."

But Yates' strong instinct was to keep costs down. The most expensive purchases have been computers – about ten of them. Offices and the new 4,400 sq ft factory are rented. Money has not been spent on expensive tooling. Most components are made outside, while the company assembles the meters and does the highly sensitive task of calibrating the meters ready for use. The exception is the temperature probes, which are made on site – Yates could find no-one to make one which was sensitive enough.

The link with Yorkshire Water has given him access to otherwise hard to obtain expertise – in finance, law and R & D: plus a useful office base in Leeds. It is also comforting to know that the back-up is there if large-scale financing is needed. Yates, now 50, has no intention of having his home out of his hands again, having finally regained the deeds from the bank.

"It took persistent nagging and the complete clearance of the overdraft facility to get them back," he says.

But there is still plenty of investment in the company's future. A further DTI research grant has provided two thirds of £160,000 for a three year project to develop a prototype multi-perimeter pump controller at the Polytechnic South West in Plymouth. The company is also putting two of its staff through degree courses.

Meanwhile, Yates' next move is to employ a general manager. Then he can concentrate on what he likes best: putting his ideas for energy saving into practice.

■ *Advanced Energy Monitoring Systems Ltd, The Energy Centre, Finnimore Industrial Estate, Ottery St Mary, Devon EX11 1NR. 0404 81 2294*

Jessica Alexander

BLOOD MONEY

Christian Tyler asks why the British government is still refusing to pay compensation to the haemophiliac victims of AIDS-contaminated blood

MINISTERS go off for their annual political celebration at the Conservative Party conference next week with an unpleasant piece of unfinished business on their slates – one that their own MPs fear is becoming an ugly stain on the government's collective conscience.

It concerns the lawsuit brought against the Department of Health and the National Health Service by haemophiliacs who caught the AIDS virus from infected blood products, mostly imported from the US. Of the 1,200 men and boys directly infected (not all the victims or their relatives are suing) 210 have graduated from HIV infection to full-blown AIDS. So far, 140 have died.

The government's last attempt to defuse the issue seems to have failed and 12 months later, Kenneth Clarke, the Health Secretary, is again facing a chorus of condemnation from newspaper leader writers and agitation on his own back benches.

It was a group of Tory backbenchers who late last year, after a confrontational meeting with Margaret Thatcher, secured a big increase in the Macfarlane Trust hardship fund, to give every infected haemophiliac £20,000 *ex gratia*. But that salve – it was never meant to be compensation – does not seem to have worked. About 300 more sufferers subsequently joined the legal action, whose full trial in the High Court is due to start in March. Then last month the Court of Appeal scotched the Government's long-running attempt to show that there was no case to answer, and ordered the production of government documents that the haemophiliacs have demanded to see in an attempt to prove negligence.

Finally – and most embarrassing of all – this week the text of the trial judge's comments to the parties in June was revealed, urging an out of court compromise. Mr Justice Ognall (who, despite rumours to the contrary, the government will not try and have removed from the case) took the exceptional course of arguing that the government had a moral obligation in what he called a unique case and an "increasingly notorious issue". To say that the law must take its course, he added, was in this instance to risk making a "scapegoat" of the legal system itself. In short, the public would condemn both the government and the law.

But Clarke has refused to budge. In off-the-cuff remarks on television this week he said: "I actually don't think there's a very strong commonsense case because it was nobody's fault that this tragedy occurred. We met the tragedy by paying out £32m . . . Now I'm facing a claim for more and lots of journos (sic) are giving me helpful advice."

Why Clarke continues to resist what many outsiders (and some people in his own Department) see as an overwhelming moral or political case for settling has become something a mystery.

The answer to the mystery of Clarke's apparent hard-heartedness is that his civil servants have advised him that settlement now could undermine the whole relationship of the NHS with its patients.

If the government paid out of court, the argument goes, that would imply some liability, at least informally, and would establish a political (though almost certainly not legal) precedent. It would build up an expensive "custom and practice" of no-fault compensation that would encourage other aggrieved patients – those whose organ transplants had failed, for example – to sue the NHS. Apart from adding greatly to the cost of the NHS, it would put Britain on to the slippery slope of American-style litigation with the result that doctors might be afraid to give even routine treatment.

Nor, it seems, can Clarke buy off the lawsuit by offering more money through the Macfarlane Trust – though there is nothing to stop him adding to the *ex gratia* payments. The trustees would not tolerate being the agents of such a deal, and the same argument about "political precedent" would seem in any case to apply.

In other words, within the Department of Health nobody is able to come up with a form of words that would allow the Government to pay compensation – even in this extraordinary case – without offering the NHS as a hostage to fortune.

And so, for the moment, the case goes ahead. But what if the Government, for all its confidence, were to lose in court? Here the extent of the damage would depend on the terms of the judgment.

The plaintiffs are pursuing two related lines of attack, arguing first that Ministers and health authorities have a "duty of care" to NHS patients which they have breached, and, second, that there was medical negligence. Defence lawyers admit they will be very hard put to it to prove duty of care: that is, duty of care to individual patients or groups of patients as opposed to the public at large. Nor are they particularly seeking to prove clinical negligence.

No-one disputes that most of the haemophiliacs now under sentence of death were poisoned by imported products made from the commercially-obtained blood of American drug addicts and HIV-positive homosexuals. The burden of their lawyers' argument will be that the risks of viral infection (the three strains of hepatitis, for example) from blood products such as Factor VIII have been known for two decades. Therefore ministers and officials were negligent, they will say, in failing to honour the promise made in 1975 by Dr David Owen, the then Labour Minister of Health, to make England and Wales self-sufficient in blood in order to minimise such risks. (Scotland was already more than self-sufficient.)

If that line of argument were to succeed, the repercussions for the NHS would be as great, or greater, than those of any out of court payment. Policy decisions would be seriously circumscribed and there would be talk of a constitutional crisis. If, on the other hand, the NHS were to be found negligent at some more humdrum level, the repercussions would be no greater (although a lot more public) than in any other successful medical suit.

Britain is not the only country in which infected haemophiliacs have had to struggle for compensation. In the US, suits against blood product manufacturers and blood banks have been failing on the grounds that no HIV test was available until mid 1985. Nor is any government compensation planned.

But in Canada the government is making payments of C$120,000 (£55,000) to each poisoned haemophiliac. Denmark is awarding DK250,000 (£22,300) and Japan is paying its 2,000 victims a monthly allowance of US$1490 (£785) to adults and US$4610 (£2,400) to children.

According to the latest report of the World Federation of Haemophilia, nothing is known of the haemophiliacs' fate in 24 countries. In another 24, there are no plans for compensation: these are mostly poorer nations, but include also Finland, Israel and the US. Results are awaited in six more.

Meanwhile (West) Germany, Norway, Sweden, India, New Zealand and Bulgaria all have statutory compensation schemes. In Germany, 1,246 victims are getting insurance payments of up to DM250,000 (£85,000). All they had to do was name the company which was supplying most of their blood products from January 1979 – a generous move on the part of the insurers.

Britain is one of a group of countries in which funds have been set up, but no compensation paid. In France (where damages are traditionally much lower), there is a public fund which can pay FFr30,000 to FFr70,000 (£3,000 to £7,000) to each victim, and a private fund offering FFr100,000 to those who will renounce any future awards – disclaimers which have not been forthcoming. French haemophiliacs are asking for another FFr300m.

But the British haemophiliacs are not arguing just about money or liability. Many of them are angered and depressed by what they see as the Government's failure, in the person of the jovial Clarke, to acknowledge its moral responsibility. Nobody has felt able – for sound legal reasons, presumably – to say "sorry".

Ministers and civil servants cannot be relishing the prospect of weeks of cross-examination in court next year in the full glare of publicity and under the accusing gaze of the dying, even if it is to protect the big principle they believe to be at stake. Clarke has judged that the British public will understand why the law must take its course, despite his own failure to convince them so far. But he cannot win – and he knows it.

COUNTDOWN TO THE TRIAL

1974: Medical Research Council recommends that UK becomes self-sufficient in blood products

1975, Feb: Dr David Owen, Health Minister, promises self-sufficiency "in two or three years". £500,000 allocated

1980: Blood Products Laboratory, Elstree, declared unfit. Self-sufficiency still not achieved

1981, June: AIDS emerges in San Francisco and New York.

1981, Dec: First English AIDS victim identified. Virus suspected

1982, July: Haemophiliacs infected in US. Link with blood products suggested

1983, March: AIDS virus tentatively identified

1983, Sept: Kenneth Clarke, Health Minister, tells Parliament there is "no conclusive proof" that AIDS is transmitted in blood

1985, April: NHS heat-treated Factor VIII becomes available

1986: Haemophiliacs launch compensation claim

1987, Nov: Macfarlane Trust hardship fund of £10m announced by government

1988, March: Macfarlane Trust established

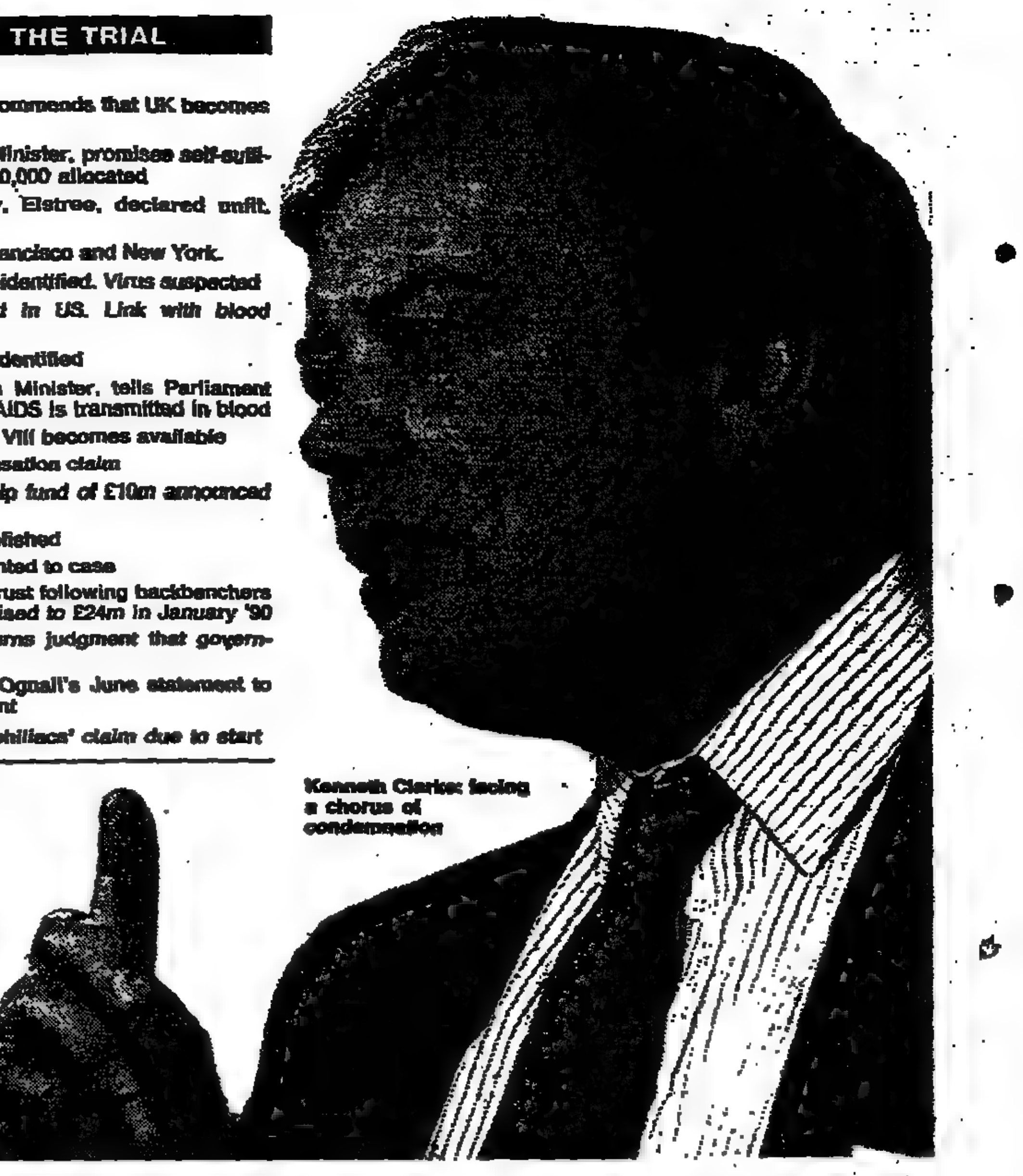
1989, June: Mr Justice Ognall appointed to case

1989, Dec: Another £19m given to Trust following backbenchers meeting with Margaret Thatcher; raised to £24m in January '90

1990, Sept: Court of Appeal overturns judgment that government has no case to answer

1990, Sept: Sunday Times reveals Ognall's June statement to parties urging out-of-court settlement

■ **1991, March:** Full trial of haemophiliacs' claim due to start


Kenneth Clarke: facing a chorus of condemnation

Genius of the Place

Lost in Egdon Heath

Casterbridge or Dorchester? Nigel Spivey is confused in Hardy country

THE CONFLATION of fiction with reality happens often enough. The popular press reports the screen vicissitudes of a soap opera diva as news, or scores a scoop in divulging the next episode. Radio devotees are bussed to Borsetshire and may even meet up with Eddie Grundy of *The Archers*.

I considered myself above this sort of nonsense, until I drove down to Dorchester and began checking the map for the whereabouts of Egdon Heath. I might just as well have looked in the local phonebook for Oak, G., or Venn, Diggory; or tried to establish the limits of the county of Wessex.

It dawned on me that while Egdon Heath stretches extensively into our cultural topography, those who search for it on a map are Hardy's dupes. Or rather, they have not paid proper attention to the prefaces that Hardy supplied to his novels, in which he warns that Egdon Heath is a fictional coalition of various South Dorset heathlands.

One suspects that Hardy himself occasionally surrendered to the forces of his own romance. Gustav Holst, whose orchestral embodiment of Egdon Heath remained his own favourite composition, records being taken up to the place in 1927 by Hardy – and in the same letter notes that T.E. Lawrence was "in camp on Egdon Heath": as if Hardy's nomenclature of the area were more valid than that of the Ordnance Survey. And well within Hardy's lifetime, books with such titles as *The Hardy Country* had begun to appear.

They continue to proliferate today. Indeed, the literary presence is so strong that I wonder if inhabitants of Dorchester do not inadvertently sometimes give their address as "Casterbridge".

The Dorchester/Casterbridge house that Hardy designed for himself, Max Gate, still stands; but the National Trust property is Hardy's Cottage at Bockhampton, built in 1800 by the writer's great-grandfather. It stands on the western edge of "Egdon Heath", and can be reached by a pleasant walk through Thorncombe Wood.

However, a warning: if you come fresh from *The Return of the Native*, looking for the furze and wilderness of the heath, you will be disappointed. When Hardy characterised his Egdon Heath as "a face on which time makes but little impression" he had not reckoned with the Forestry Commission and its capacity to turn open wilderness into closed, coniferised wilderness.

The landscape which is the theatre for what Hardy called his "Sophoclean" dramas has largely gone, along with the smocks, whiskers and physiognomies of those Dorset labourers who survived long enough for the camera to hold them.

It was all going when Hardy staged his novels: poor man, when he set out to confront more immediate social themes in *Jude the Obscure* – a book truly full of Sophoclean power – the critical litany was, "We wish he would go back to Egdon Heath and listen to the singing in the heather."

Latter visitors to Bockhampton echo that litany. We close our eyes to the misery of rural existence before the coming of farm machinery. We complain about the Forestry Commission. We would rather watch Morris Men than contemplate whether the institution of marriage can endure into the Third Millenium. We wish our author would stay on Egdon Heath, listening to the singing in the heather . . .

In Dorchester/Casterbridge, you should see the County Museum. In the year that celebrates 150 years since Hardy's birth, it has a special exhibition dedicated to the local genius which builds on the museum's collection of personal effects, manuscripts and portraits.

It has been handsomely done, and runs to September 29: Hardy's notebooks are particularly enlightening, with their jottings of unusual and potentially "Sophoclean" events – for example, notice that a fellow near Frome sold his wife to another man for £5.

And when you have finished in the museum, the Royal Oak across the road makes a good place for lunch, and a pint of "Hardy Country Bitter", of course. That brew comes from Eldridge, Pope whose founder, Alfred Pope, was a friend of Hardy and Mayor of Dorchester when *The Mayor of Casterbridge* was published.

There is no escaping Hardy here. Why should there be? And a pleasant end to the day might be to visit the premises of Eldridge, Pope, near Dorchester South railway station. Wines are stocked there which would do honour to any mayoral function.


Hardy perennial: Wessex is still part of the cultural landscape

■ *Before going to Hardy's Cottage, Upper Bockhampton, telephone to check opening times of the house: 0305-62366.*

The wizard of the Wurlitzer

"ROBERT came here with his uncle when he was 17 and tried out the Wurlitzer for the first time. He made rings around that organ. I knew straight away that he was brilliant."

This is how 86-year-old George Cushing describes the beginnings of a remarkable three-way partnership between himself, master organist Robert Wolfe and a giant '30s Wurlitzer organ, the fourth biggest in Europe.

All three are to be found in the village of Thursford in Norfolk where they are the key players in what has become one of Britain's most unusual tourist attractions, viewed by 150,000 visitors a year. The Thursford Collection is a group of steam-powered vehicles and mechanical fairground organs – plus the Wurlitzer – built up by George over 40 years and housed in a cavernous hall tacked on to a 17th century barn just outside the village.

During the summer Robert, who is 28 and has worked at Thursford for nine years, gives three performances a day, seven days a week, on the Wurlitzer which George rescued from the scrap heap 15 years ago. It was originally in a cinema in Leeds.

The Thursford machine is one of hundreds built in New York in the early part of the century by the Rudolph Wurlitzer Company. They were originally used for accompanying silent movies and plays in cinemas and theatres.

The ornately decorated Thursford Wurlitzer has 1,339 pipes and thousands of electrical and mechanical parts. It can create, to thunderous effect, not only the sound of an organ but almost all the woodwind, brass and percussion instruments in an orchestra, including krumet, glockenspiel and marimba harp, and the noise of motor horn, bird whistle, fire alarm and horse trot for good measure.

Luton-born Robert started playing the organ when he was 12, after receiving a toy electronic instrument for Christmas. To the consternation of his teachers he left school at 16, with no qualifications, to take a job as one of a group of musicians playing the giant theatre organ at the Tower Ballroom in Blackpool.

"Once I was hooked, I just wanted to keep on playing the machines," he explains.

Robert became resident organist at Thursford at 17. He works there half the year and spends the winter on tour in Australia and the US. He has built up a following and has his own fan club, run by a woman in King's Lynn.

In conversation Robert is reserved and somewhat shy. But at the seat of the Wurlitzer – with its three keyboards, bank of foot pedals and 200 assorted push-button controls – he is transformed.

With his wave of blond hair, Robert is clearly popular with Thursford's predominantly middle-aged clientele. Every now and again he pauses from his playing to crack jokes.

But for the rest of the time Robert is in what seems like perpetual motion, his arms and legs threshing furiously over the controls. The air is thick with old favourites such as *The Dambusters*, *Oh I Do Love To Be Beside the Seaside* and *Amazing Grace*. All of this is supplemented by large video screens which give close-ups of Robert's fingers as they race over the keyboards.

"I get lost in the music," says Robert. "Nothing can match the Wurlitzer's sound – there is a slight tonal quality that can never be created even by the best electronic organ."

He says he always wanted to be an entertainer. "You have to be showy – that's the way the Wurlitzer was meant to be played. Pleasing the crowd is my motto; if they want to hear *Old Rugged Cross* every day, that's what I'll give them."

Peter Marsh

The Forbes hit-list

■ Continued from page I

An equally important reason for secrecy was to keep the news from leaking out to arch-rival Fortune for as long as possible. Presumably, since Fortune had done a similar list – of private companies and who owned them – it was conceivable that it could develop a competing rich list at relatively short notice and steal Malcolm's thunder.

One area full of reclusives was the field of New York real estate investment. Greenberg spent the last three months of his research on it, managing to identify and rank the big players. The sources turned out to be less impenetrable than he expected. To begin with, he had the advantage of relatives close to the business. A grandfather was an accountant to many of the biggest New York real estate investors of the '30s and '40s, and that helped open doors to some of the heirs of these investors. And his brother in the real estate business in New York helped him identify the important individuals in Manhattan's biggest land deals.

But the most useful sources were the subjects themselves. While they were reluctant to discuss their own holdings, they talked freely about everyone else's. Usually they were accurate. Everyone seemed well informed about who owned what. By playing one against the other, Greenberg was able to nail down a fairly accurate accounting.

Many candidates for the list tried different tactics to avoid inclusion. William Randolph Hearst Jr, of the publishing fortune, for example, tried to convince Malcolm to keep his name off the list. Hearst had a legitimate reason for fearing public attention to his wealth; even without a published rundown of it, the Symbionese Liberation Army correctly determined how much it could expect the Hearsts to be able to put their hands on in an attempt to get back his kidnapped niece, Patricia. Still, Malcolm would not be moved. "Tell you what, Bill," Malcolm told him, "You shut down Town and Country magazine and I'll cancel the Rich List."

Several Rich List candidates who wanted to be left off made powerful arguments, appealing to the reporters' personal morality. How would you feel if you'd worked hard all your life to amass a fortune and keep it secure? The prospect of gaining wide publicity for it might threaten that security.

Then there were the Wayne Newton types – the ones who insisted they were worth more than the research suggested. "Newton's business manager made a pathetic attempt to prove he was worth $125m," Greenberg said. "You could understand why. It would have been good to get on the list; it might calm down your creditors."

When the first list was ready for publication in a September 1982 issue, one last attempt was made to get confirmations of asset value from the subjects.

"We called the lawyer for the late Lila Wallace, who owned the Reader's Digest," Gissen recalled, "and told him we put a value of $500m on the magazine. He said it was more like $300m."

When Gissen told Malcolm this tale, Malcolm said, "Call him back and offer him $250m." Wallace's lawyer was not amused; he was one of those who threatened to sue. The list used the $500m valuation.

Early on, the question came up: where does Malcolm go on the list? At first, he insisted that he not be included at all – for the same reason cited by many of the subjects who threatened to sue if they appeared on it. "Malcolm's argument was that the IRS might take a look at this list and assume that he had provided us with the exact number," Gissen said. Somehow, Malcolm found that threatening. "But we argued that Malcolm would have to be on the list for the sake of credibility."

The compromise was that Malcolm would be at the bottom of the list – number 400 – but without a valuation. Still, a half-hearted attempt was made by the staff to put a number on his worth. In 1982, the magazine itself was valued at about $250m, giving a total of about $400m, including real estate and collections.


Birthday boy: Forbes' fancy dress party in Tangier cost £2m

In the end, no-one sued, and no-one got kidnapped for ransom. The first list, published in September 1982, was a resounding success both in the amount of advertising it attracted and in the amount of media attention it won. It was decided to make it a separate, additional issue for the following year.

The second year, the list included an explanation of who came off and why – usually it was the result of death or the discovery of huge debts. One individual with ties to the Dorrance family came off the list because it turned out he had only two shares – not 2m – of Campbell's Soup Company. "Do you have anything to do with Campbell's Soup?" Forbes asked him. "I eat the product," he said.

Once it was clear that the Rich List was a success and not a source of embarrassment, Zalaznick became a convert.

The editors at Forbes quickly realised how powerful the list was. Being on it might actually influence whether someone got credit in certain business situations. It became increasingly important that the list be accurate. Guesstimates were no longer acceptable.

Bob Hope was among those who felt wronged by Forbes. In 1984, he told reporter Richard Behar, "If my estate is worth over $50m, I'll kiss your ass. I mean that." Behar put Hope at $115m. Forbes ran Behar's story in the October 1 1984 issue explaining how the magazine arrived at the number, knocking Hope off the list from a year earlier when the estimate was $200m. The story led with Hope's ass-kissing promise and concluded: "You're off the list, Bob, but you're not off the hook. Isn't there something you owe us?" Hope turned the experience into a gag: "If I was as rich as you said I was, I wouldn't have gone to Vietnam; I would have sent for it."

"We knew the first list was very inaccurate, though we always tried to be conservative in our estimates," Gissen says. The second time around, though, the co-operation level improved vastly. "A lot more people got on the phone with us. They seemed to decide that as long as we were going to do this, we might as well get it right. And a lot of people called to let us know whom we missed the first time."

As the Rich List matured, the priorities of its subjects began to change. This was a direct reflection of its success. Just as the Fortune 500 had become a yardstick of corporate success, the Forbes 400 was becoming the measure of individual success. As a result of its increasing acceptance as such, the people who were on it – or close to being on it – became less concerned with how to get off it.

After the first year, a Florida real estate developer told a reporter: "I didn't work this hard all my life to be put on the paupers' end of your list." At the time, the "paupers" were worth at least $100m. The developer sent in documentation – including disclosure of vast land holdings in Orlando, Florida – in a successful attempt to win a higher ranking.

The super-rich who managed to escape attention may have breathed a sigh of relief that they were not on the Rich List the first year, but as time passed and year after year they never appeared on it, they faced a new dilemma. Their friends began to wonder: if they are so rich, how come they are never on the Forbes 400?

"Then it becomes a matter of wanting to get on it to prove you're as rich as they think you are," says one staffer.

BOOKS

The man behind the madeleine

*Even though he put so much of his life into his books, **Anthony Curtis** remains curious about Proust*

SO MUCH of Proust's life was re-cycled into his fiction that we feel we know him intimately without needing to resort to a biography. As readers of *A La Recherche* we have the sense of a most profound relation with Proust, and seem to enjoy a more complete confidentiality with him than we do with any of our friends. Did not Proust say that the past can never be re-lived through the intellect but only through random experiences of the senses? And did he not condemn, in advance as it were, the booming modern literary biographical industry by his insistence, in *Contre Sainte-Beuve*, that the external facts of a writer's life were irrelevant to a true understanding of his work?

Yes, is the short answer to all of that; but nonetheless we remain irrepressibly curious. Now Ronald Hayman has come along with the latest of this season's massive biographies of major writers to satisfy our curiosity. Did the boy Marcel really dip a *madeleine* into his hot drink? Or was it just a rusk, as in his earlier account of childhood memories?

Proust not only worked from life into fiction, he worked from earlier fiction into later fiction. The story *The End of Jealousy* in *Les Plaisirs et les Jours* is the acorn out of which blossomed Swann's jealousy and the Narrator's jealousy. That early story was written, Hayman shows, when Proust was at the height of his first big affair, with the young composer Reynaldo Hahn, and he drew on his own homosexual passion to describe that of the heterosexual couple in the story. The destructive jealousy displayed in the story may even, Hayman concludes, have been a signal to Reynaldo that the affair between him and Proust, which had become public knowledge, would inevitably have to terminate. This is but one instance of the kind of subtle inter-action between Proust's art and his life that is described on many pages of this biography.

In the course of it we learn just how much published writing there was from Proust before the appearance of *Du côté de chez Swann* in the bookshops in 1913 and the general recognition of his genius. It includes a mass of journalism in *Le Figaro*, a series of pastiches of other writers, translations of Ruskin's work on art and architecture, *Contre Sainte-Beuve* and, finally, *Jean Santeuil*, a complete "dummy run" for the later work.

The Dreyfus case figured more prominently in that abandoned novel than it did in the later one. Proust's mother – born Adrien Weil – was Jewish, but he and his brother were baptised and brought up as Catholics like their father. Proust was a convinced Dreyfusard, yet among his greatest friends were the sons of Alphonse Daudet, one of whom became a leader of French anti-semitism and co-editor of *Action Française*.

Hayman charitably dismisses the often chameleon-like behaviour of Proust in his social and sexual relations, and his at times absurdly sycophantic deference to members of the aristocracy. He cites the theory of "multiple selves" to

PROUST: A BIOGRAPHY
by Ronald Hayman
Heinemann £20, 497 pages

explain it away. Among his many separate selves, Marcel the artist observed the antics of Marcel the lover and social-climber with cynical detachment and distaste. Maybe he did, but he loses some of our respect in the process.

Never can a novelist have hoarded and shaped his observations so single-mindedly. Everything was put to the service of the one grand conception which would not mature until he was past 40. During the years of work on the *Recherche*, from around 1908 to well after the First World War, the re-jigging and the re-writing process continued. There survive more than 80 *cahiers* in which Proust jotted down successive drafts for the different sections – as well as typescripts for the printer produced under his supervision.

After Proust's death, this material belonged to Proust's brother, Dr Robert Proust, and then to his daughter, Proust's niece, Suzy Mante-Proust, who considered selling it. Thanks to a French governmental decree, it was all ultimately deposited in the Bibliothèque nationale, where a dedicated band of scholars has worked for some years on repairing, codifying and editing it to give us definitive texts. The work is still not finished but the over-all picture may be seen in the first volume of the Pléiade edition of *A la recherche* (Gallimard, 1987) which has a general introduction by its editor-in-chief, Jean-Yves Tadié, France's leading Proustian. The texts of *Swann* and *Jeunes Filles* are printed consecutively, but at the end of each section we have the manuscript-drafts relating to them, so that the reader of the volume may study the different phases of revision.

In addition to his professional writing, Proust was a compulsive writer of private letters. As a chronic sufferer from asthma, and later from emphysema, Proust retired for long stretches of his life to bed and kept in touch with his friends through the post and *pneumatique*. He had one of the first Paris telephones, but he used this mainly to listen to the opera. A service known as *Théâtrophone* connected the subscriber to the Comédie Française or the Opéra. Proust had a standing order to be connected whenever *Parsifal* or *Pelléas* was performed. It was both expensive and tiring on the arm, and the reception left much to be desired, but he enjoyed it.

The leading American Proust scholar, Phillip Kolb of the University of Illinois at Urbana, has edited the definitive edition of Proust's letters of which, since 1970, 17 volumes have been published. There is not far to go before the edition will be complete. Meanwhile two volumes of letters edited by Kolb, *Selected Letters 1880-1903* (Collins, 1983) and *Volume Two 1904-1909* (Collins, 1989) have been published in an English translation by Terence Kilmartin.

Unlike George D. Painter whose acclaimed biography of Proust was published in two volumes in the 1950s (and reissued in one in 1989) Hayman has reaped the benefit of all this work, and he draws heavily on the letters. He classes Proust's attempts to manipulate his well-born friends, the Romanian Bibesco brothers and Count Bertrand Salignac-Fénelon (who provided a model for Saint-Loup) through his letters to them, as half-way into fiction. "The deeper [Proust] sank", Hayman writes, "into the invalid routine, the more his relationships with external reality depended on the complex machinery in which the two principal cogs were correspondence and the book."

The biography traces the movement of this machinery on an almost daily basis. We see the mother's boy still living at home when he becomes an adult, and turning night into day by reversing normal working hours; thereby avoiding much actual contact with his beloved parent. He achieves his domestic and financial independence when she dies in 1905. He has his own flat where he retreats to his cork-lined room to write, becoming the Proust of popular legend. Fortunately he emerges from time to time to make forays into society at the Grand Hotel at Cabourg (Balbec in the novel). He pursues innumerable young men of working-class origin like Alfred Agostinelli, a chauffeur mechanic who became his lover, copy-typist, secretary, and served as the main model for Albertine. Agostinelli died in a flying accident. Proust was inconsolable for many months.

Proust also gives extravagant dinner parties at the Ritz in Paris, of which he becomes an habitué after being awarded the Prix Goncourt. These social excursions among the great and ungood serve to relieve the gloom of Hayman's final chapters on the dying Proust. Hayman is a most conscientious chronicler; if he lacks Painter's roving eye for an anecdote, he is sound in his judgment, unflummoxed by the over-abundant material, and full of fresh insight.

Hedonists out to enjoy themselves

*The intellectual outlook of 'Our age' both fascinates and infuriates **Malcolm Rutherford***

IF IT were possible to read a book of some 450 pages at a single sitting, this might be it; for the mixture of fury, indignation and in the end admiration that it inspires makes it very difficult to put down. The admiration is for the way Lord Annan has put it together.

"Our Age" was the phrase applied by Maurice Bowra, the Warden of Wadham College, Oxford, to anyone who went to the university roughly between 1919 and 1951. Annan uses it for the "educated classes", mainly intellectuals and those who formed opinion, at Oxford, Cambridge and the LSE during that period. Many of them were, like Annan, committee men, who did much to shape postwar Britain. In his own words, they sought consensus.

Our Age, Annan admits, was "not original", though its "greatest intellectual triumphs were won by the scientists and mathematicians". (Surely some contradiction there?) The one original movement in the humanities that Our Age invented, according to Annan, was in literary criticism where it insisted on taking literature and ethics together. It was much influenced by F R Leavis, whom the author cites as one of the deviants, though also its most influential literary critic who "imposed himself on his generation:" non-public school Our Age. Yet, at least in retrospect, what Leavis did was to instil a close reading of the text: that was entirely in line with a classical education.

On the other hand, there were achievements. By the time Annan comes to his fifth successive chapter on sex, one begins to suspect a slight obsession with the subject. Yet the age of Annan did lead to reforms of the law on sexual morality, even if we had to wait until the 1960s for Roy Jenkins (very much of Our Age) and the young David Steel to push them through. Perhaps we forget that when Annan was young, if it came to women, men had frequently to choose between bores and whores (Annan's words), so they stayed with men.

It was the second world war that brought Annan's age into its own. That was when the importance of scientists came to be recognised and the intellectuals could help with the national effort in a war that they did not really dispute. The experience left a lasting legacy, not only in the reforms of education and health: it also had an effect on the way society was subsequently run.

Annan writes that while the years 1900-40 were the golden age of the Oxbridge undergraduate, the years 1945-75 were the golden age of the don. The dons sat on committees, some of them even sat in Harold Wilson's governments: they appeared on television and were welcome guests at dinner parties outside their colleges. It was only somewhat later that they "suffered the mortification of being blamed for the political and economic decline of our country".

In other words, the underlying theme of this book is "what went wrong?" Or it should be. Annan only partly admits it. He acknowledges that while

OUR AGE: PORTRAIT OF A GENERATION
by Noel Annan
Weidenfeld & Nicolson £20, 479 pages

the intellectuals were very good at devising solutions to problems, they showed no interest in implementing them. "Our Age" was to exert its influence on the Treasury and the permanent secretaries in the ministries, "most of them Treasury men". Yet even here there was a paradox: economics was one of the few areas where Britain did not lag behind America and the continent, but the economies of those other countries did steadily better.

Again, Annan admits the fault. He also writes that the "refusal by the Conservative government to take seriously the Messina conference that was to lead to the Treaty of Rome was inexcusable. It was the most ruinous diplomatic decision taken by Our Age." To admit the fault, however, is not entirely to excuse it. The interesting question is why the age of Annan was so blind.

It seems to me, admittedly with the benefit of hindsight, that Our Age was insufferably pleased with itself and insufferably insular. Even when it thought it was looking abroad, it did so in a remarkably narrow way. An Annan chapter is headed "The Impact of the German Renaissance". One expected it to say something about how the Federal Republic differs from the Germany of the past, morally, politically and economically. Instead it is about German philosophy in the 19th century, and the failure of Our Age to recognise its contribution to sociology. True enough, perhaps, but seminal?

Our Age, according to Annan, delighted in "spotting the ludicrous": not, one might add, in its own midst. "Our Age were hedonists determined to enjoy themselves." To this reader it sounds like masochism. Our Age also perfected the "succinct and killing Whitehall minute". Is that a matter for congratulation? On the painter, Sir William Coldstream, Annan comments that he was "one of the few artists who could hold his own on committees". Annan himself is a trimmer: again he confesses to it. He never joined the Communist Party, is a confirmed heterosexual, was not tempted by the Social Democrats, which might have seemed the last refuge of Our Age, and was one of the first of his species to recognise Margaret Thatcher. By her age and by her Oxford education, if not by her temperament, she just about scrapes in. Annan describes here as "the most remarkable leader Our Age produced". He goes on to wonder if she will make the same error about Europe as the rest of Our Age. If so, it will be because Our Age had too much influence – even on her.

There are some sweeping statements. For example and without explanation: "The change in sensibility which deified Mozart is a key to the understanding of Our Age." In the 1960s "hostesses gave parties for men and women dressed from head to foot in rubber or in black leather and chains, some wearing gas masks." What kind of hostesses, where and how often? The account of Sir Edward Boyle's departure from politics is quite different from that given by Edward Heath in his essay on Boyle in the Dictionary of National Biography.

Still, there are some delightful vignettes. This is not a book lightly to be cast aside.

Romance of the railways

"YES, GREAT railroad age," wrote Charles Kingsley, "who would exchange you, with all your sins, for any other time?"

That age began in 1825 when George Stephenson's Stockton-Darlington link set in motion a world of speed and connection. Nicholas Faith's wide-ranging social history starts there and tours the cultural, economic and industrial territory which the railways crossed in their progress from technological oddity to icons of modern civilisation.

From the start, the railway fired the Victorian imagination in a world hurtling down Tennyson's "ringing grooves of change" to an improved future. The railway needed money. Speculation in the 1840s found the Victorians' beliefs in machinery, progress and self-help united in railway engineers and entrepreneurs. Each used the railway for his own end: Brunel's London-Bristol line started a personal transatlantic journey ending in the Great Western; George Hudson, MP, "the Railway King", loved the power and money which railway investment yielded; and Samuel Smiles used railway engineers as subjects for inspiring biography.

The fraudsters prospered, too; the pre-1847 boom gave scope for crooks like John Sadleir, the Dublin solicitor who became Junior Lord of the Treasury and who issued bogus shares in the Royal Swedish Railway Company. Later, in the 1850s, Leopold Redpath, who deployed his fraudulent gains across a range of philanthropic causes, was deported for life after using his position as company clerk for insider dealing in Great Northern Railway shares. Even after his conviction, beneficiaries of his charity refused to believe him guilty.

"Almost instinctively," Faith remarks, "Britons and Americans left the shape of their railwork to market forces, to individual promoters." In America, while the railway preceded the roads west, its function on established routes was to make money: by the 1890s, 21 routes connected New York to Chicago and 90 New York to New Orleans.

But 19th-century Europe saw the railways as symbols of national unity and international connection: in France, the historian Jules Michelet

THE WORLD THE RAILWAYS MADE
by Nicholas Faith
Bodley Head £20, 360 pages

rejoiced that the railway brought "Lyons and Paris into communion with one another." Faith shows how railway building becomes intimate with national outlook. The French dreamed for 60 years of a Trans-Saharian railway, which was actually started by the Vichy government in 1943; the Canadian Pacific Railway was built to reach and retain British Columbia in the Canadian federation; the American Union Pacific, the "machine in the garden", drove west on

'We who have lived before railways were made, belong to another world', remarked Thackeray

east-coast money; and the great Trans-Siberian railroad, which opened up Siberia, was at first seen as a forced growth backed by the Tsar and underwritten by Europeans.

The Trans-Siberian supports Faith's thesis that the railways were the first industry to be tied to politics, government and legislature. Between 1896 and 1913, 4.75m emigrants settled in the newly accessible western Siberia. They were shipped, fed and given grants for tools and land when they arrived. The railway not only speeded land nationalisation and trebled grain exports, it put Russian peasants in touch with local Siberians and emigrants from other regions, and can be seen as part of a process of social change only possible after rail.

Social change happened less drastically in England. There, the English railways spelled class mobility and proximity. Victorian etiquette guides wrestled with luggage behaviour, awkward meetings, and the railway reading famously supplied by W.H. Smith. Since then the railways have intensified almost every experience: robbery, romance, sex, speed, warfare. The railways spawned the desire and measurement of change. Looking back over his century, Alfred Russell Wallace crooned over them as one of its great cultural developments; Ruskin was scared of mass mobility – "I don't want them to see Helvellyn while they are drunk"; and John Betjeman heard the trains with mixed nostalgia and fear in Worcester College (like every other Oxford College, the butt of "C'est magnifique mais . . .").

Faith's exuberant book garners biographies, anecdotes, statistics and social history to form a collection which outstrips the space he leaves for analysis. So reading *The World the Railways Made* is like trying to focus on individual telegraph poles as they flash past the carriage window. The nature of the railways themselves, touching modern experience at so many points, puts an exhaustive social history out of reach. But what Faith does deliver here, based on his clear grasp of how industry, economics and technology affect culture, is a book crammed with enough social history to bear out Thackeray's remark: "We who have lived before railways were made, belong to another world."

Andrew St George

Fiction

Power of the evil eye

BLEAK, DOUR, superstitious: village life in the Appenines in the mid-1950s seems by-passed by the modern world, and almost by Christianity as well. Spells and incantations, vengeance and violence, rule everyday life: the power of the evil eye is everywhere. A snake bite is a retort to adultery; the child conceived will be born (they say) with a snake's head.

Aged six when the story begins, Vittorio Innocente is the puzzled, yet accepting, watcher of it all. His father long ago went to work in America, and when his mother gets pregnant everyone – the entire community and her family – withdraws into hostile silence. By the time she and Vittorio set off for America, she is ripe for a shipboard confinement.

The child's view of an adult world almost without humanity somehow manages to keep a basic hope and warmth: the relationship between mother and son, full of physical closeness and the humour no one else cares for, sees to that. This a more than promising first novel, with a velvety tone to the writing that is eloquent but not precious. A Canadian of Italian parentage, Nino Ricci combines the child's limitations with the complexities and evils of adult life, and the gloom and severity of the Italian peasant world with occasional bursts of high spirits, even a sense of glory. In a new world, but still richly steeped in the old, he has found the right artistic and psychological distance from his subject.

Look At It This Way is a tale for today: a rake's progress in which the *deus ex machina* is a lion, the setting a very sharp, contemporary London, and the pace almost stifling hot. It has the acutest ear for dialogue I have met for a long time: Justin Cartwright is a Professor Higgins with vowels and a Tom Wolfe or Alberto Arbasino when it comes to describing pretty well anything – social, cultural, geographical, sartorial, up or down market, in fashion or out. The characters range widely, from admen and girls to City tricksters and female Thai boxers, from an African chief to a yuppie earning £70,000 a year who is, quite credibly, reduced to sleeping rough some chapters ahead. No one is very likeable but everyone is plausible, and the plot which links all these on-the-make characters in a contemporary dance, without resorting to coincidence, is complex and ingenious.

And lions, present, past, pictorial, leonine imagery of all sorts, stalk every event and person: from Stubbs paintings to animal rights activists, from circus to zoo, from a man who stabbed an attacking lion to death in Africa to an eviscerated City gent in Regents Park. A feral thread through an urban romp, this gives an original twist to events, a foetid reek to the world of sanitised metropolitan man.

LIVES OF THE SAINTS
by Nino Ricci
Allison & Busby £12.99, 238 pages

LOOK AT IT THIS WAY
by Justin Cartwright
Macmillan £13.99, 275 pages

NO TALKING AFTER LIGHTS
by Angela Lambert
Hamish Hamilton £13.99, 233 pages

The closed world, heightened feelings and haphazard proximity of those in girls' boarding schools have turned up surprisingly little in adult fiction. *No Talking After Lights* is adult, brisk and sadly exact. Having boarded from seven to 17, I can vouch for its accuracy of tone, appearance, psychology, everything. Its 1950s talk rings true – the dated slang, the offhand cruelties; so, more than anything, does its sadness.

Feral: Justin Cartwright

The headmistress, kind if formidable, is its heroine, doing her best in an impossible role. It is the parents who have shrugged their responsibilities onto her who are the villains, unable and unwilling to see the wretchedness school life of this kind may engender. It is their crassness and indifference, so recognisable and so beautifully conveyed, that are chilling, not the school itself, which of its kind isn't bad.

Neat but never slick, feeling but never sentimental, the novel is an indictment of a system that passes the very young daughters of those who could afford it from all domestic affections and normal life for three long months on end. Boarding is now very different: with its freedoms and frequent home visits it is scarcely "boarding" at all in the old sense. But one's heart still heaves with sympathetic gloom on reading this crackingly intelligent account not just of a school but of a section of society that produced it: it is art as social history, highly enjoyable in a blood curdling sort of way.

Isabel Quigly

Aftermath of an atrocity

ALBIE SACHS, a white South African lawyer and well known ANC activist working in Mozambique, was blown up and nearly killed by a car bomb two and a half years ago as he drove to the beach for his morning jog. In the attack – attributed to South African intelligence agents who had already killed his colleague Ruth First – Albie lost his right arm, the sight of one eye and suffered other serious injuries. His intensely personal book recounts his gradual, sometimes agonising physical and mental recovery to the point where he is once again able to jog on Maputo's beaches.

The intimate, first person format of the book lends special qualities to the account of his ghastly experience. Having lived through a similar atrocity and its aftermath myself, I can identify with his courage in fighting back to normality.

He tells vividly of the extraordinary circumstances he lived through: the shock of the bomb, the difficulties of suddenly adjusting to life as an invalid, his frustrations and challenges such as having to learn to walk again on his shattered heel, to write with his left hand and to get in and out of the bath. He recounts how he struggles to come to terms with what has happened to him and his need to justify his mutilations and the loss of his arm in terms of his life and his political commitment. He tells of his fears for the future. All are recounted with candour and humour. It's an extraordinarily exposed account that I'm sure some readers will find hypnotic and compelling, but I – at least sometimes – felt uncomfortable, almost a voyeur, during the compulsive exorcism of his most intimate feelings.

There is much of real interest, such as his feelings about his injuries that veer from upbeat cheerfulness to sudden outbursts of rage and bitterness, after which he feels guilty about expressing his true feelings – presumably because he is perceived as a hero and feels he must live up to that image. Some of his account is sad and moving: at night he feels unsupported and alone."

But despite my sympathy for Albie's plight, I was surprised to find myself getting irritated by a sometimes gratingly sentimental and narcissistic tone. I found some of his descriptions of his problems and his philosophising about life and relationships too long, self-indulgent and repetitive. For instance, he devotes four pages to his difficulties in answering a telephone. The book cries out for firm editing.

THE SOFT VENGEANCE OF A FREEDOM FIGHTER
by Albie Sachs
Grafton Books £13.99, 203 pages

I sympathise with his human problems – his longing for love, for physical contact and to be appreciated as a "whole" man, rather than "a bundle of bones and scars with a voice," as he touchingly puts it. But he is indiscriminating in his personal revelations which have more than a hint of a confessional. Perhaps his charm lies in his naive self-exposure, but I am uneasy when his narrative veers towards the salacious. He describes in titillating detail being washed by a young Colombian girl, Melba, who "soaps his thighs up and up . . . then stops;" or again "lower and lower, dwelling on the skin above my crotch – and stops." He describes slight variations on the soaping episodes at least five times.

Whether the reader is moved or disconcerted, the book is an extraordinarily frank and personal document.

Susie Morgan

Antique fairs for every season

***Homan Potterton** finds that the New York calendar offers something for every taste and every pocket*

WITH THE Paris Biennale Internationale des Antiquaries closing tomorrow and the New York International Antique Dealers Show opening at the Armory on Park Avenue today the dizzying annual round of art and antique fairs worldwide is well under way. When the Chicago International Antiques Show opens its doors on Navy Pier at noon next Thursday some dealers will have had just 16 hours between packing in New York and setting up in Chicago.

There are now so many art fairs that one wonders why some dealers bother having shops any more. Galerie Bruno Meissner from Zurich, which has been exhibiting at the Paris Biennale, will also be at the New York Show and the same is true of New York's Newhouse Galleries. The Merrin Gallery – 5th Avenue specialists in Ancient Art – will exhibit in New York and then move on to Chicago: so will the London silver firm Bourdon-Smith. Then there are dealers who ignore shows at home but pitch in abroad: Philippe Farley and Berko, both from New York, have had furniture and paintings respectively at the Paris Biennale but they will not be exhibiting at the Armory. Finally there are those who do not participate in fairs at at all. Fine furniture dealers, Florian Papp in New York is one of them. "It is not an atmosphere in which I would like to buy" says Mindy Papp, "so I will not expect to sell in such an environment either. Most collectors like to see a potential purchase several times and that is not possible at an antique fair."

In New York there are at least 10 antique shows each year worthy of some attention. They range from the Armory Antiques Show in late September to the glitzy Winter Antique Show at the same venue in January. At the former, dismissed as "just brown furniture" by a rival, one will find about 100 dealers showing, according to its organiser, Meg Wendy, "quality antiques at affordable prices . . . something for everyone from all areas and periods."

The Winter Antique Show, chaired by decorator Mario Buatto, is more a date on the New York social calendar than a top-notch international antiques event. That accolade is being pursued by the International Antique Dealer Show which is now in its second year and is organised from London by Brian and Anna Haughton with "the co-operation of the National Antique and Art Dealers Association of America."

The Art Show which takes place in February is organised by the Art Dealers Association of America. It consists only of pictures but as many of the most important dealers take a booth, the quality is high. At the other end of the market to The Art Show is the hugely enjoyable Triple Pier Antiques and Collectors Show held over the Thanksgiving week end (24-25 November). With about 1,000 stands selling everything from '60s memorabilia to Shaker artefacts, this is a mega flea market which has an excitement all its own.

Organising a successful antiques fair requires a winning formula. That formula has been discovered by the Haughtons who master-mind both the International Silver Jewellery Fair and the International Ceramics Fair in London's Park Lane Hotel. In New York, Sanford Smith is also in on the secret: he stages the Fall Antiques Show ("The Pier Show") in mid-October and two other successful fairs, "Modernism: a Century of Style and Design" (1-4 November) and "Works on Paper" (5-7 April). In February Smith launches a new show in New York "Design of the 20th Century."

The cost of exhibiting varies considerably. the International Antique Dealers Show – about $17,000 for a stand – and The Art Show – about $20,000 – are the most expensive. The Winter Antique Show is about $8,000 and at the Smith fairs average about $4,000.

Essential for success is the involvement of a charity to which the proceeds of various previews and benefit parties are donated. If one measures the status of the New York fairs by the amount donated to charity, then Mario Buatto's Winter Antique Show is the winner hands down. It raised $750,000 for the East Side House Settlement. Next came the International Antique Dealers Show: $500,000 to Memorial Sloan Kettering Cancer Center.

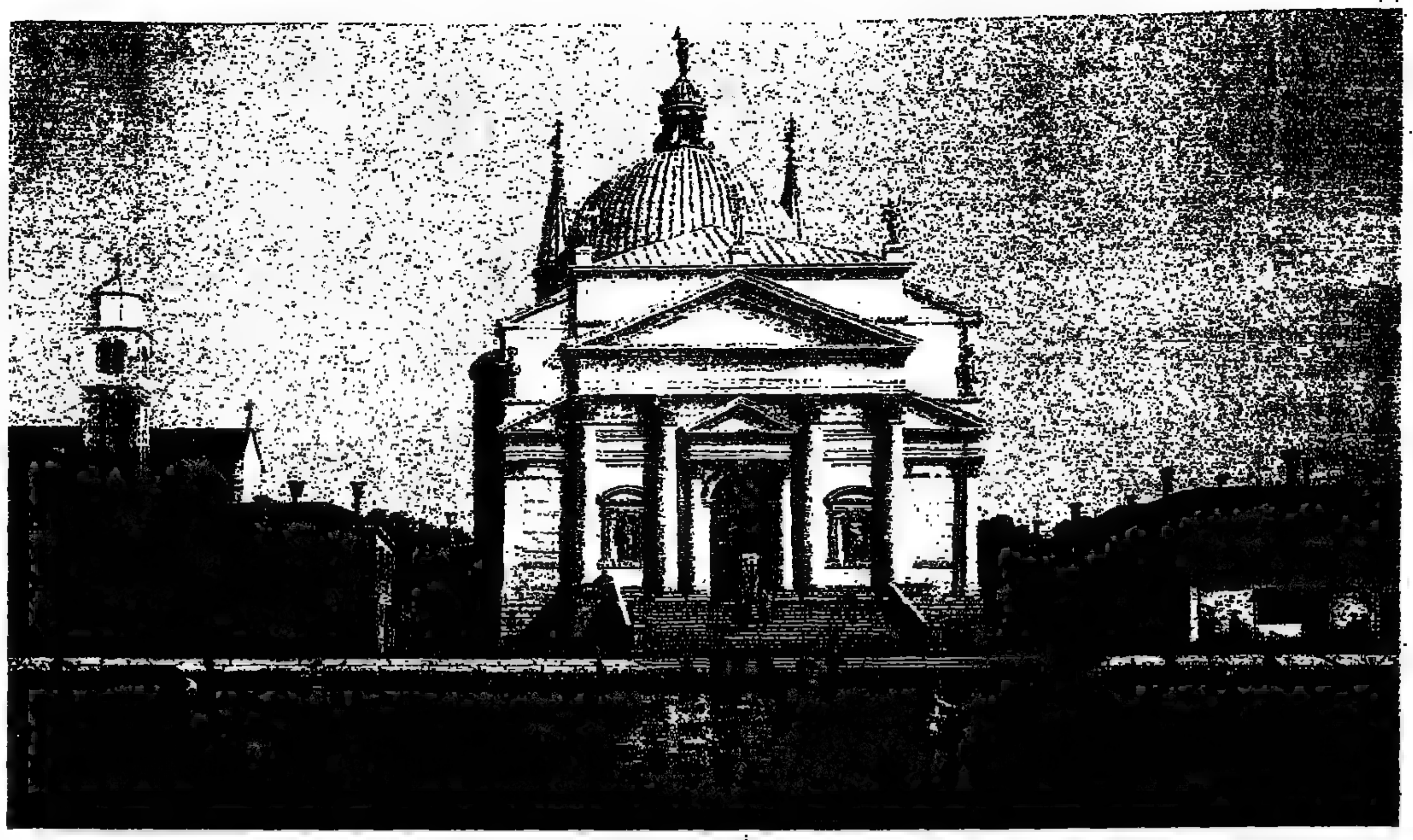
For the serious collector, the International Antique Dealers show has the edge over its New York rivals by virtue of the fact that it is international. There is also a good spread among the type of antiques on offer with strong showings of both English and American furniture, silver, ceramics, oriental porcelain and pictures.

This year, Bruno Meissner has a very large Constant Troyon landscape and a charming Winterhalter while Richard Green is showing a Canaletto of the Church of the Redentore. The latter painting is hardly fresh to the market as it comes from the Dorrance collection which was sold in New York last year.

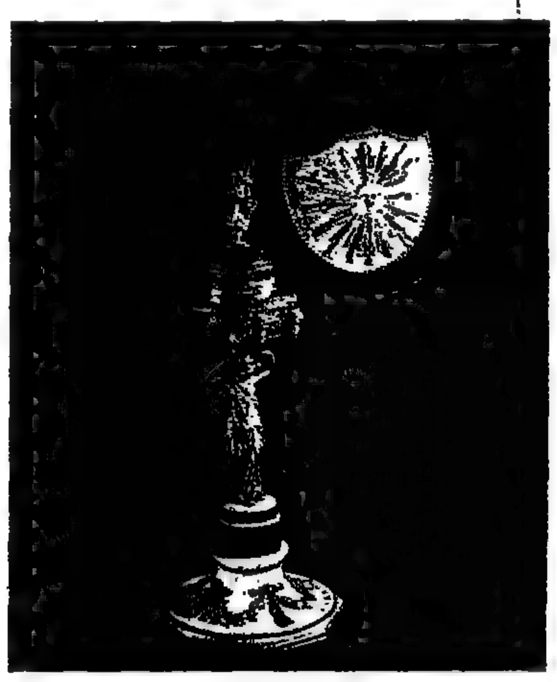
Dealer Mia Weiner, who has an exhibition at the Show for the first time, is bringing a selection of, mainly Italian, Old Master drawings including a beautiful Pier Francesco Mola "Portrait of an Artist."

In the field of Antiquities the New York dealer, Robert Haber is exhibiting in association with Artemis of London and has doubled the size of his stand. His star attraction will be a rare marble torso, a Roman work of the 1st Century AD, which is believed to be based on an original by Polyclitus; but his speciality is smaller antique bronzes and a number of these will be included in his display.

The status which the International Antique Dealers Show has already achieved is indicated by the fact that two of New York's most august dealers, Eric Shrubsole and Harold Sack, both take stands there. Neither of them exhibit at any other fair and the exceptional nature of the silver and furniture which they will respectively offer this year is a measure of how seriously they take the Show. Shrubsole has an is exceptionally rare Fire of London tankard, one of seven made to order in 1675. There is a pair of cast Dublin candlesticks of 1696 and an 18th century American bowl and porringer by Paul Revere, the Patriot. In this company the several pieces by Hester Bateman and Paul de Lamerie that one may expect on his stand will seem like trinkets. Sack's rarities include a pair of Goddard Townsend chests-on-chests made in Newport in 1780 and a japanned William and Mary Highboy signed by Scottow and made in Boston in 1720. These few items of silver and furniture alone will ensure acclaim for this year's show.



Three items which will be at the International Antique Dealers show in New York in October. Above: The Church of Il Redentore by Canaletto. Below left: Late 18th century Russian oil lamp in lapis lazuli, white marble and ormolu. Below right: Two Coalport vases and covers from 1871 by Charles Palmere, after Greuze



Shadow over the salerooms

***Antony Thorncroft** says the problems facing the art market offer opportunities for astute collectors*

THE NEXT few months should offer collectors of works of art (and dealers) the best opportunity in years to buy antiques at reasonable prices. In other words, the trade is experiencing its first big recession since the early '80s.

Business has become steadily quieter, at least in the middle and lower ranks. Antiques of undisputed craftsmanship, with international appeal and recession riding qualities, are still in good demand — but short supply. The flight into quality seems to dry up top-notch items quickly. Their owners regard them as a safe hedge in an unpredictable financial future and hold on to them.

It is antiques to decorate a room, items of furniture, ceramics, clocks, carpets, etc, that have suffered most, more perhaps than pictures and prints. Interior decorators have been particularly badly hit: their clients are moving house less frequently, and dispensing with that little luxury to which they treated themselves when profits were buoyant or the Stock Exchange generous.

It is almost impossible to get a true view of the market from dealers. They groused during the run of good times and now clam up in the bad, knowing that a confident facade is essential to persuade prospective buyers that art will always be a good investment. History suggests that in a recession over-inflated, second rate art, falls completely out of favour.

The auction houses, operating in public, cannot hide behind a smile. Sotheby's and Christie's are expecting a difficult autumn. The last thing they want is a succession of bad sales, so they are now very fussy about what items they accept. Unfortunately owners of masterpieces are not selling unless forced to do so by death or disaster: they fear a sliding market and prefer to hold on for the inevitable uplift.

The new breed of speculative owner who took a flier on art when it seemed a good investment might well be forced to sell because he is in financial difficulties with his business but he will find the major salerooms reluctant to take on his over-valued goods. The auction room experts in the Impressionist, modern British, and classic car departments in particular are currently persuading potential vendors to accept modest reserves if they want to make a sale. Add a ropey dollar, a weak US economy, a falling Tokyo Stock Exchange, and the unsettled outlook in the Gulf and you have a scenario which virtually guarantees lower sales, and profits, for the auction houses.

Phillips, which continues with auctions throughout the summer, can provide omens. In mid September it held a modern British picture sale which was almost 60 per cent unsold. It contained many lots sent for sale by dealers desperate to raise cash. Many dealers borrowed money to buy art at high interest rates but can no longer afford to hold on to their stock in a slack market. The auction revealed that there were few takers for the stale and unexceptional.

But shrewd dealers are picking up bargains. At a recent auction a watercolour, estimated at £2,000-£4,000, was bought in at £1,800. As a joke a dealer offered the auctioneer £800 for it after the sale. After consultation with the vendor it was his. With catalogues printed weeks in advance of a sale many lots at auction this autumn will carry estimates that will prove inflated. The auction houses will be keen to dispose of goods so after sale negotiations could become quite frantic.

It is not all gloom. Christie's will be offering in New York paintings by Titian, Raphael and Tintoretto which had been acquired by Imelda Marcos and are now being sold by the Philippines government for the benefit of the people. Also in New York, Christie's major Impressionist sale includes a Van Gogh painting of poppies, estimated at around $15m, and a Léger at $12m. Among contemporary art there is a $7m de Kooning and a $6m Twombly. These estimates may not compare with a year ago but viewed from 1988 they seem quite exalted. In London a Benjamin West portrait of General Monkton could fetch £1.5m.

Sotheby's can match Mrs Marcos with the antique collection of Greta Garbo, valued at over $20m, and in London it will be offering Constable's "The Lock", estimate £10m-£15m, unless a miracle happens and a national museum raises a comparable sum. Phillips also has a Constable, painted near Dedham in 1817 and fresh in style and to the market. If it makes the £2m plus anticipated on December 11 it will be the most expensive work of art sold by Phillips.

The overall drive from the auction houses this season is for realistic estimates in an uncertain market. The dealers have taken a bashing from the salerooms in recent years and are now responding with better exhibitions, more erudite catalogues, and professional marketing. But a price must be paid for this increased sophistication. Many of the smaller and medium sized dealers will relinquish their premises in the next few months. They will finally accept the fact that the costs of operating a shop, with the new business rate and rising rents, is a nonsense. Most of their trade is done with regular clients anyway. They will concentrate on buying with them in mind and hope to expand contacts through fairs.

The big summer fairs, at Grosvenor House and Olympia, were disappointing to many exhibitors but Chelsea last month did reasonably well (the only weak area was polished town furniture) and there is currently Park Lane (at the Park Lane Hotel) open until Monday night, with 40 top rank dealers testing the new season.

There may be doubts about the buying confidence of the British, American and Japanese but the continentals still seem acquisitive. And London, while second now to New York as an auction centre, can offer them an unmatchable array of exhibitions.

Richard Green, in co-operation with Christopher Wood, is holding the first major exhibition since 1976 of paintings by the atmospheric northern artist Atkinson Grimshaw, from November 8, while Spink is concentrating on the watercolours of Lucien Pissarro, the London-based son of Camille (on now until October 26). Arthur Ackermann has its annual exhibition of sporting pictures to coincide with the start of the hunting season (from October 18) while a retrospective of the work of the neglected portrait painter Joseph Oppenheimer marks the first big show at David Bathurst's gallery from October 25.

Agnews is holding an important display of the work of Keith Vaughan from November 14 and Frost & Reed is showing the watercolours and drawings of Marcel Dyf. Marlborough Fine Art currently has graphics by Frank Auerbach; Anthony D'Offay shows Gilbert & George; and Eskenhazi is selling Charles Greenfield's exceptional collection of Japanese lacquer (from November 20). And so it goes on.

So while the foolish dealers, who bought speculatively on borrowed cash, and the ignorant collectors, who saw art as a safe investment, face a difficult year, knowledgeable traders and connoisseurs can look for an autumn of bargains.

Portrait of the artist's daughter, Eva, by Joseph Oppenheimer, at David Bathurst's gallery

Lucien Pissarro: his own man

FOR THE talented son to stand too long in the shadow of the famous father is hardly unusual, and for all the inherent distinctiveness of his work, the chief distinction that Lucien Pissarro still enjoys, in a long posthumous reputation, is that of being the son of the great Camille. Though there have been exhibitions of his work at intervals through the years, the current show at Spink (5 King Street, St James's SW1: until October 26) is the more to be welcomed on two counts: for being the first, certainly in living memory, devoted to his work in watercolour, with all its natural qualities of intimacy, directness and preparatory study; and even more for its full retrospective scope over a long career that makes quite clear how distinct he was, even as a young man working in the active presence of his father.

Lucien occupies a significant place in the recent history of art. Born in 1863, he grew up in what were often extremely straitened yet also privileged circumstances, the familiar of his father's impressionist friends and colleagues and despite the family's recurrent poverty, surrounded by great art. By the late 1880s he was already active on his own account: he was a friend of Seurat and Signac with whom he served on the jury of the *Independants*, privy to post-impressionist reaction and development, and in particular to pointilist theory and experiment.


Young woman in a turban: pencil and chalk

He moved to England in 1892 after marrying an English girl, Esther Bensusan, and became a prime source of information on the current state of French painting and interpreter to the English art world of Impressionism and its aftermath. Though he would continue to move freely between France and England throughout his life, he became a fixture of the English art world and eventually a naturalised Englishman.

But naturalised or not, born as he was into what proved to be the most influential of *milieux* in his time, his own work and attitudes to art the very creatures of that French modernism, though we may by long association try to claim him as our own, as an artist he could never be anything but French. What only might deceive us is the name: looking for impressionism at its most seductive and allusive, we find in the oil paintings an ordered simplicity derived rather from Cézanne and here, in the water-colours, first the disciplined method of pointillism and then the light touch and open washes of the early fauves – even, from time to time the graphic vigour of van Gogh. These are hints merely, for Lucien was no disciple, but equally there was no rejection of the influences and experience that had formed him. He was simply moving on in his own way.

In England he of course looked at and responded to the art around him. He became a close friend of the illustrators, the Charleses Shannon and Ricketts, and through them would have been familiar with late Victorian Arts & Crafts illustration. His own woodcuts reflect that interest, yet it is not fanciful also to detect in them a whiff of the work at Pont Aven of such as Gauguin and Denis. His topographical subjects, being English, would seem obviously so on the page, and affinities with the work of some of the Camden Townites of the 1910s and 20s, of Gore, Bevan and Ginner are clear enough, and the earlier work of Paul Nash also suggests itself.

We must be careful not to overstate the case for Lucien Pissarro, out of a natural sympathy for his position. His move to England puts him at an effective distance, and we can now see his work now on its own terms for what it is. And for all his talent he was not the great and original painter his father was. That said, to be acknowledged as *petit maitre* is more than most artists may aspire to, and Lucien at least was that: no great innovator perhaps, but an authentic and even authoritative post-impressionist after his fashion. Like all true artists he was, in the end, his own man.

*

Whether by aberration or inadvertency, the illustration to my review of the Malcolm Morley exhibition at Anthony d'Offay; that appeared on this page last Saturday, was printed on its side. For that I can only apologise.

William Packer


Ross Wilson's "Man With Hambletonian, Mount Stewart" is one of over eighty works currently on show at Agnews as part of the Foundation For Art's campaign to introduce contemporary British art into National Trust properties. Patrick Proctor, Bernard Dunston and Diana Armfield are among the artists who have contributed, and some of the art is for sale. The sponsor is Pearson.

South Bank plays new tune

LAST TUESDAY the deal was done and the London Philharmonic Orchestra became the resident house orchestra of London's South Bank. From 1992 the LPO will give 50 concerts a season in the Royal Festival Hall, many under its new artistic director, the 30-year-old Franz Welser-Most. Perhaps the most striking part of the new contract is that for the first time the more important concerts will actually be rehearsed in the Hall, creating up to 40 "dark", revenue losing, nights a year as against ten in the past.

As a sop the rival orchestra for the post, the Philharmonia, will play the Hall for 40 concerts, but the RPO will be heard less frequently, just 20 of its more ambitious programmes. In all, when you throw in the BBC, the regional, and the overseas orchestras there will be around a dozen fewer orchestral concerts on the South Bank.

It seems a small price to pay for the chance to develop a super orchestra for London. As Nicholas Snowman, artistic director of the South Bank, says, "at last London has an opportunity to rival Berlin or Chicago". And at last he has achieved one of the ambitions he set himself when he took on the musical policy at the South Bank four years ago.

The coup comes at a useful time. For years the South Bank was criticised for putting on a predictable diet of safe music. Snowman took risks with the programming and has been lambasted for mounting commercially disastrous festivals. The current enterprise, *Brave New World*, has picked up considerable flack, not least the concerts of music by yesterday's heroes, Stockhausen and Boulez. In the event the South Bank budgeted for a joint attendance of 1500 for the two concerts, as against a potential capacity of almost 6000, and hit the target, with Boulez bringing in 900 paying customers and Stockhausen 580.

Despite all the scare stories, the South Bank is actually enjoying something of a financial renaissance at the moment. In the last year it reduced an accumulated deficit of £1.6m by £450,000, and this year is on target to make an even larger saving. Attendances were down slightly – by 1 per cent at the Festival Hall to 65 per cent, but the Queen Elizabeth Hall had its best season ever, reaching 60 per cent capacity. The policy of making the QEH a dance centre, and attaching resident groups to it, like the Alban Berg, seems to have paid off. "I used to be ashamed of the programming there" says Snowman. "Now it is usually of an acceptable standard."

There is a price to be paid for the tighter housekeeping. The popular summer music festivals have gone, along last season with a planned Ligetti concert and an art show at the Hayward Gallery. There were almost 100 dark nights in the Elizabeth Hall and the Purcell Room. Snowman is also more selective in the commercial bookings he accepts, bookings that account for 80 per cent of the events at the Festival Hall. Lollipop concerts are less welcome but there is a plan to raise the rock and jazz profile of the Hall.

When the South Bank mounts its own festivals it will be looking for commercial sponsors and hedging against risk. It would have liked 15 *Brave New World* concerts, but settled for eight. It's Russian festival next year will slice popular Chaikovsky inside programmes featuring unknown Soviet composers. And next year the commemoration of Mozart's death in 1791 should keep the tills ringing.

The South Bank needs to sparkle internally because the ambitious re-development plans have been abandoned. Terry Farrell's scheme to erect a dome uniting all the halls has gone. Now the aim is to demolish the Hayward, and the two smaller halls, and re-build on the Jubilee Gardens side. And the unsightly concrete walkways still await destruction. The hope is that exciting programming will distract concert goers from the deteriorating exterior.

Antony Thorncroft

Romantic theme at Paris fair

OPENED this year by the Mayor of Paris Jacques Chirac, who bought a Chinese statue and two neo-Gothic chairs for city museums, the 15th Biennale des Antiquaires is proving, in the words of one leading London dealer, to be "a very good fair in an unappetising economic climate due to Desert Shield."

One hundred and twenty dealers, 25 five of them from outside France, are pitching their costly designer built stands in the Grand Palais until October 7. The quality of exhibits, which are all rigorously vetted for authenticity and absence of restoration, is top notch this year and the range of artistic specialities is wider than ever. A Paris dealer, Alain de Monbrison, is manning a magnificently stocked stand of African art and Herbert A. Cahn from Basle has brought ancient Greek art to the Biennale for the first time.

Over 100,000 visitors are expected at the fair where trading, brisk over the first few days, has begun to slow down during the second week. European dealers largely dependent on US trade are obviously lamenting the weak state of the dollar. But that fall-off is more than compensated by a big upsurge in the number of European collectors, especially Italians, Spaniards and Germans.

Two novelties this year are dreadful piped music and a theme, "Love in Art", which many dealers have ignored. Some are making tongue in cheek concessions: Parisien 18th-century furniture specialist Jean Lupu, for example, is displaying a 30 inch high white marble sculpture of 1737 by François Ladatte entitled "Renaud et Armide", which is an idealised vision of Louis XV grappling fully clothed with his mistress, the Countess of Mailly. Meanwhile medieval and Renaissance dealer Bernard Blondeel from Antwerp has found a 15th century tapestry of amorous animals which features a cockerel feathering a hen.

Garrard of Regent Street is showing a splendid silver candlestick Queen Victoria offered the Archbishop of Canterbury on the occasion of her marriage in 1840. Geneva based dealer Jan Krugier has got round the problem of theme by devoting his show to women in art, including an unusually strong, sensual chalk drawing by the normally more winsome François Boucher; a sketch by Guido Reni; and drawings by Piazzetta, Toulouse-Lautrec and Jordaens among others.

Canadian dealer Philippe Farley has decided on an eclectic choice of 18th and 19th century furniture from as far afield as Russia, Holland, Italy and England. But despite such exceptions, 18th century French furniture in all its glorious ostentation dominates the Biennale.

Among the Paris dealers,


Mechanical celestial globe made in Augsberg c.1630

Galerie Achkar-Charriere boasts a magnificent roll top bureau by cabinet maker Jean-François Leleu. Revillon d'Apreval has built an ornate cloth pavilion to show off its George Jacob chairs and a fastidiously carved Louis XIV gilded console. The stand of Jean Gismondi of Paris is flanked by a pair of matching Louis XIV cupboards covered in floral marquetry, the work of cabinet maker Pierre Gole, selling for around Fr7m and a rare, small Mazarin bureau by Boulle for Fr2m.

This year's show has brought its predictable and abundant crop of Flemish paintings, providing as many village scenes, still lifes and Breughels as a decorator could wish for. Agnew's of Old Bond Street, on its first visit to the Biennale, has hung relatively few canvasses but has some of the finest drawings in the whole event. They include a man's head by Piazzetta, a Boucher drawing, "Venus and Cupid", and a G.B. Tiepolo inkwash drawing "The Incredulity of St Thomas". Another leading Old Master specialist, Bruno Meissner from Zurich, has a selection of outstanding works including still lifes by 17th century Dutch artists Willem Heda and Paulus Bor, and Jan Lievens' "Allegory of Fire" and "Allegory of the Earth".

An Old Master scoop turned up on the stand of Paris dealer Yves Mikaeloff, in the shape of two paintings by 18th century Venetian artist Giovanni Battista Pittone. They are "Semiramis", which recently came to light in a château in the South of France, and "The Death of Sofonisbe", an unprecedented loan from the Pushkin Museum in Moscow. Both were among four Pittones about strong willed women commissioned by Catherine the Great. "Semiramis" was auctioned in 1854 by Czar Nicholas I to raise cash for his Crimean War effort and Mikaeloff has priced it at Fr17m. The Soviet Ministry of Culture earnestly hopes someone will buy it and give it back.

Paris's Robert Schmit and Brame et Lorenceau have their customary array of good post-Impressionist and modern paintings. Galerie Bellier, however, has more out of the ordinary works including a cluster of tiny Renoir water colours from the early 1880s; two Dufy Cubist canvasses of 1908-1910 selling for around Fr2m apiece; two virtually abstract Monet pastels at similar prices; and two rare Degas pastels of landscapes, at around Fr1m.

Medieval and Renaissance furniture and statues, one of the corners of the art market currently resisting speculation, is richly represented at the Biennale by Paris dealers such as Boccador and Bresset who, for those prepared to believe, have a Unicorn's horn set in a 13th century processional crucifix holder. Belgian dealers Jan Dirven and Philippe Carlier have a collection of rare 12th and 13th century siculo-Arabic ivory caskets and some superb early 13th century enamelled and gilded liturgical book covers. Paris's Gabrielle Laroche, to return to the theme "Love in Art", is showing the 16th century four poster bed that Prince Charles was rumoured, back in 1981, to be buying for Princess Diana.

Doubtlessly because of the astronomical prices it is commanding nowadays, art deco is present on only one stand, that of Bob and Cheska Vallois. Micali Santi of Galerie Mermoz has similarly monopolised the market in pre-Colombian art with his dramatically lit enclosed stand featuring Olmec carved yokes and three chilling, beautifully carved Olmec stone masks of animal gods.

Two of the most spectacular stands are those of Kugel of Paris and Galerie Neuse from Bremen. The latter is showing German alabaster sculptures and stunning 17th and 18th century gold and silverware. Kugel is housing Renaissance gold and enamel jewellery and an exquisitely carved Nautilus mounted in silver gilt and coral made in 1680. But its star attraction is a mechanical celestial globe in gilt bronze and iron made in Augsburg c. 1582. It is also the most expensive object at the fair at Fr80m.

Nicholas Powell

Life under Ch'ing

IN THE Purple Forbidden City of Peking, the Ch'ing emperors' consorts and concubines tottered about on foot-high stacked heels. Jewelled hairpins of phoenixes and butterflies trembled it their lustrous hair, and they were tended by scores of rather smelly eunuchs, who they could have beaten to death on a whim. *The Forbidden City* at the Museum Boymans-van Beuningen at Rotterdam (until November 25) is a a window onto the splendour, but necessarily not the misery, of the Ch'ing dynasty which reigned from 1644 to 1711.

One hundred objects have been loaned to Rotterdam by the Palace Museum at Peking. This is a very costly exhibition and the most important from the Palace yet to come to the west. Recent tragic events in China have overshadowed the exhibition, but it was not cancelled because it was a private deal between the two museums. Visitors to Peking are rarely able to see these objects, and are never able to view the huge ceremonial scrolls which have stolen the show in Rotterdam.

These 18th-century court painters' scrolls hold visitors spellbound. Young or old, sophisticated or not, no one can resist the charm of this serpentine story-telling. Long queues shuffle past but mercifully the cases, some 20 feet long, have been designed to let visitors lean and linger. We are spectators at a pageant, watching the scuttling, strutting figures of the court process past a minutely detailed background of pavilions, gardens, and the streets of old Peking.

The longest scroll at Rotterdam is only one twelfth part of "Scenes from the Journey to the South", which has been called the most complex painting in the world. It took three years to finish this record of Emperor Kangxi's inspection tour south of the Yellow River in 1689. In this scroll the Son of Heaven returns to the Forbidden City. The vast cavalcade winds through endless gateways and past shuttered houses, for the plebs may not look at their Emperor. Then to the Hall of Supreme Harmony, back to the suffocating protocol, the eunuchs, and the concubines.

These ladies we see in pages of an album made for the great Emperor Qianlong (Ch'ien-lung, if you prefer), the 18th-century ruler who presided over the Chinese empire at its zenith. He evidently was particularly pleased by a scene of his concubines swinging among the willows, which he stamped with his seal. In another we see the ladies on a quiet winter's afternoon, admiring ancient bronzes and scrolls.

Images of the earlier emperors show them as hieratic figures in yellow silk or at their desks, slogging through the unbelievable amount of paperwork. The Manchurian conquerors had not gone soft – or not yet. The most delightful scroll shows Qianlong in his sledge at an annual event which was half a troop review, half an ice show. Hundreds of champion figure-skaters swoop about, taking part in an archery contest. In the 18th century, these Manchurian rulers still remembered their warlike traditions.

Paintings apart, fabulous costumes are the chief pleasure of *The Forbidden City*. Displays of costumes are one of the hardest things to bring off, but the designer has done marvels by isolating the costume and hanging each garment high in pools of light. Manchurian dress helps because the cut is so elegantly simple, with just a few toggles to fasten it. The exhibition catalogue is distinctly dull, but fills in the symbolism of the ubiquitous dragons, bats, cranes, mountains, and phoenixes. In front of the costumes themselves, the only reaction is to gawp.

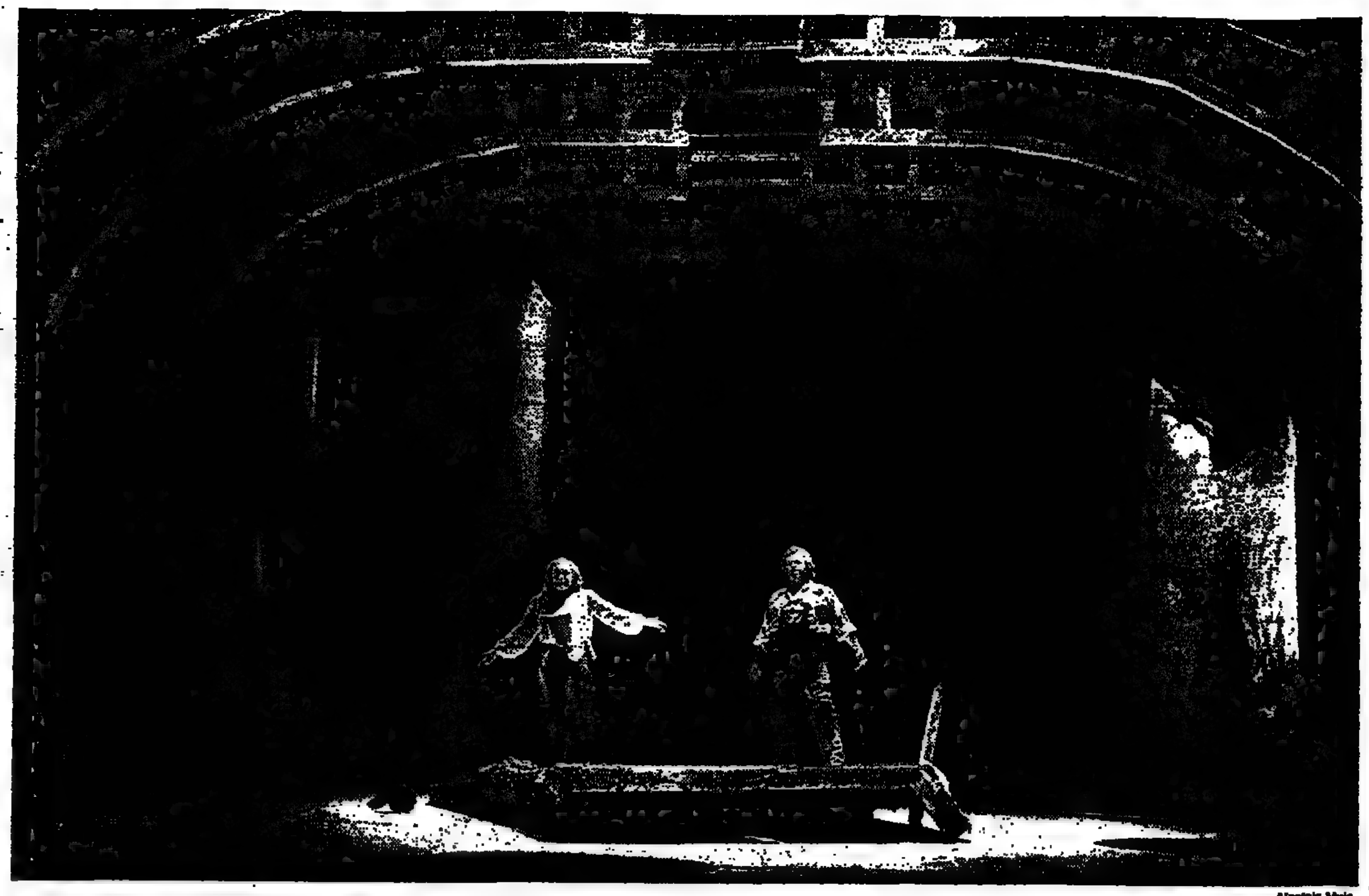

Kangxi, 2nd Ch'ing Emperor who ruled from 1662-1722: scroll painting on silk

The costume spans the 18th and 19th centuries, many of the late ones fascinatingly Art Nouveau with their chrysanthemums and dragonflies in autumnal shades. These belonged to the sickly half-crazed Kuang-hsü, and to his termagant aunt, the Dowager Empress Tz'u-Hsi. As background reading, a wise plan is to equip yourself with Marina Warner's *The Dragon Empress*, a superb biography of this fearsome woman. Downstairs at Rotterdam, they do their best with the rise and fall of the Ch'ing dynasty. But it is bloodless stuff, and the exhibition is all the better for keeping in mind the bloody reality beyond the walls of the Purple Forbidden City.

Patricia Morison

ARTS

The second stage of Götz Friedrich's 'Ring' cycle has reached Covent Garden. Max Loppert reports



Gwyneth Jones and René Kollo as Brünnhilde and Siegfried

Alastair Muir

Siegfried in a time-tunnel

THE ROYAL Opera's "time-tunnel" *Ring* production reaches its second stage with the *Siegfried* that opened at Covent Garden on Thursday. This is, of course, by Götz Friedrich, designed by Peter Sykora, and was bought in from the Deutsche Oper, Berlin when plans for a cycle produced by Yury Lyubimov were aborted after the 1988 *Rheingold*. Even though we are exploring this *Ring* the wrong way round, with Prelude last in order of unveiling, enough has already been revealed to make clear what a dismal prospect is in store when the whole tetralogy is finally performed.

Taste is a funny thing, and dislike of the dank, airless tunnel – underground garage and roadway in one – in which the grandest of all operatic epics is being unfolded may not be universally shared. But surely there can be no dispute about the producer's failure to suggest therein the thrilling breadth and variety of the *Siegfried* canvas.

This is an opera that should begin in deceit and confusion in the depths of the earth and end in a burst of glorious new-found emotion on the highest heights. It does not do so here. In Act 1 the tunnel is decked out, like Dogpatch USA in the musical *L'il Abner*, with gaudily coloured tree cut-outs out of a child's nursery, and with bits and bobs of Mime's workshop and Siegfried's playthings (he has his own tepee at the bottom of the garden) dotted whimsically all over the place: the mixture is horribly queasy. Act 2 drapes dark-coloured net curtains across the tunnel, perfunctorily lit; Act 3 only hints at longer vistas – the discovery of the sleeping Brünnhilde affords no moment of psychological opening-out.

This was a cycle originally designed for touring, and so one can accept its technological simplicity (particularly by comparison with Friedrich's Covent Garden *Ring* of the 1970s). That's no excuse for the imaginative feebleness of the dragon, an earth-mover with lights, or a woodbird suspended on wires like a Folies Bergère showgirl.

Friedrich's pessimistic looking-out of the sky may be an honest perception of our world. ("I only observe and report," he has said in interview, "Those who think it's ugly should look around them.") What he utterly fails to do in this Covent Garden *Siegfried* (unlike in last year's *Walküre*) is create a world in which the characters and the physical environment exist in some sort of vital, thought-provoking dramatic balance.

The oddest thing about this performance was the predictability – conventionality, indeed – of characterisation relative to location: frills and furbelows may have been added here and there (Mime as a whimsical little person in a hairnet adds most of them), but the feeling of singers going through the motions laid down for them by the production-book was overpowering on Thursday. When the participants have already performed with each other frequently – as, for instance, René Kollo (Siegfried) and Gwyneth Jones (Brünnhilde) have done – some tension and vitality can be set off in the relationship. But Alexander Oliver in his role-debut as Mime has not been helped to spark any tension out of the conflict with his different sparring partners; the intellectual duel with the Wanderer was sadly tame.

The great strength of this *Ring* is Bernard Haitink: that becomes ever clearer. On Thursday he failed to keep the difficult first act continuously taut: it was fast at the edges, slow in the middle, and not yet "related" all the way through; later acts made much steadier progressions. But already he has discovered a *Siegfried* sound-world that is always interesting, and often wonderfully beautiful. The palette of colours is distinctive (full of biting low woodwind setting up potent rhythmic cross-currents), finely blended, capable of sweetness without clotting (lovely, light *Waldweben*) and grand effects without heaviness. Air and light are felt in the music even when most lacking on stage, and in the long final duet a heartfelt lyricism draws the very best out of the singers.

Of the voices it is the lowest ones – James Morris (at his noble best as the Wanderer), Ekkehard Wlaschiha (a simply matchless Alberich), and Willard White (splendidly dark and sonorous as Fafner) – that come closest to the traditional Wagnerian ideal of large instruments smoothly and grandly "played". At this stage a question-mark hangs over Mr Oliver's Mime: he is an experienced, highly intelligent, and always vivid character tenor with an agreeable way of not barking and whining, but the stature and cutting edge of the character were on this occasion largely absent. Birgitta Svendén (Erda) and Judith Howarth (Woodbird) are acceptable, no more.

Kollo's intelligence and charm still see him through. The voice commands no ring, sustained notes falter, and top As are "managed" (only just, toward the end). In the Chéreau *Ring* at Bayreuth his Siegfried had much more emotional energy, more daring: it is a tribute to the performer's skills that even in this drab environment he can suggest the scale of the boy's emotional and moral development. His Brünnhilde in the Chéreau *Ring*, Gwyneth Jones, is currently enjoying a vocal Indian summer; she may not sing the large awakening phrases with ideal steadiness, but her account of "Ewig war ich" has never been fresher or more tenderly glowing.

Max Loppert

Radio

All in the voice

IF THE direction and playing continue as good, addicts are in for an addictive serial in the *Forsyte Chronicles*. But the first part of a 23-week sequence can hardly be particularly exciting. David Spenser, who made the radio version, has introduced all the Forsytes possible, by concentrating on parties: Old Jolyon (Michael Hordern) celebrating his granddaughter June's engagement to the architect Philip Bosinney, who outrages everyone by arriving in a soft hat; all the older Forsytes at Swithin's, including Soames (Alan Howard) and his wife Irene (Diana Quick); at "Forsyte Change", Aunts Ann, Hester and Juley, generously cast.

But in spite of a Galsworthian commentary spoken by Dirk Bogarde, the story is not yet compulsive. Soames and Irene don't get on, and she likes Bosinney in spite of his hat. Young Jolyon (Michael Williams) is still in exile after his affair. Bosinney (Michael Cochrane) asks £8000 to build Soames a house on Robin Hill. Forsyte-addicts will enjoy meeting the uncles and aunts, some of whom will have parts to play later (one dies at once), but they won't mean much to anyone who doesn't know all those books. Each part is repeated on Friday afternoon, though 15 minutes shorter.

Radio 3 began its Sunday season with a straightforward production of *Julius Caesar*, directed by Richard Imison. If I say it might almost have been read from the Penguin, I don't mean this adversely. The play relies on argument, apart from the battles at the end, with those characters we care nothing about. We need a good Caesar, Brutus, Cassius, Antony, and we almost had that – Paul Daneman a splendid Caesar, Michael Maloney a determined Brutus, Clive Merrison a truly conspiratorial Cassius. But Gerard Murphy never suggested to me the clever, cunning, popular Antony. I was sorry that the scene with Cinna the Poet was cut, one of the few. It has a real reflection in our own day.

Radio 3 grows more and more like the old Third Programme. On Wednesday we had the first of Anthony Howard's five programmes on *The Wilson Years*. This dealt mostly with Wilson's becoming Party leader, then with the 1966 election, that Labour won by five seats. ("I was not sure we'd won," said Marcia Williams, now Lady Falkender, "but we all went off to the Palace.")

The contest for leadership was with Brown and Callaghan. Brown, said Lord (then Mr Douglas) Jay, was "rude and tactless". In a straight fight against Callaghan, Wilson should have won; with Brown's intervention, it was a sure thing. As leader, he became a new man. Formerly a boring speaker, he became, both in the House and the campaign, energetic and knowledgeable, even, Lord Jay recalls, witty. (Who now recalls any but the "scientific revolution" bit, with its much-quoted "white heat"?) Lord Deedes reckons that Wilson moulded his style on Macmillan. Anthony Howard has infused some white heat into the Wilson era.

Listeners to the *Forsyte Chronicles* must learn to like voices as much as faces. There are two actors' voices that I have positively loved. The first is, of course, Sir John Gielgud's, about which I hardly need say more. The other is Robert Eddison's, which I have heard too seldom in his 60 years on the stage. Radio 3 (still with its Third Programme hat on) devoted 30 minutes to him on Friday in *Playing a Part*.

It was a kind of ragbag programme put together by Piers Plowright – Eddison talking, Eddison playing, Eddison recollecting, some critical observations by Irving Wardle, no conversations, little coherence, but special charm for us admirers. "I speak as I speak" was Eddison's own analysis. He seems seldom to have got on with directors (perhaps even with Plowright); if he had been more biddable, we might have seen him in bigger parts but less personal performances. Most gratefully I recall Lightborn in *Edward II* and the ageing Feste in *Twelfth Night*.

The Third Programme also gave us, on Monday evening, a conversation between Stephen Sondheim and Rodney Milnes, with some fascinating reflections on the art of the musical.

Records

Feast of Mozart

A COMPLIMENTARY box of Mozartkugeln was offered with these new discs. It would seem open season has already been declared on the Mozart bicentenary celebrations and the market is being flooded with new recordings and promotional ploys. 1991 clearly promises to be as much a feast for lovers of chocolate marzipan as it will be for lovers of music.

Even if one looks only at the operas, a glut of recordings is on the way, sufficient to satisfy the most ravenous Mozart collector. The list of conductors who have already polished off an opera or two ready for release next year is astonishing: Hogwood, Eliot Gardiner and Norrington from the authentic brigade, Solti and Barenboim, Muti and Abbado among the heavyweight names. Who can say he is not doing them, you may ask?

Well, not Neville Marriner, for one. He even has two of the operas appearing simultaneously in what looks suspiciously like a ploy to steal a march on his rivals. A couple of years ago Marriner produced a generally well-liked *Le nozze di Figaro* and anybody who acquired that will have a decent idea of the good and bad points on these two offerings. Among the former are the excellent playing of the Academy of St. Martin-in-the-Fields and Marriner's light and buoyant way with the music.

What is missing is that extra dimension: notes become music, but the music does not become drama. Marriner has never been a man of the theatre and his lack of experience often shows - especially in the fantastic and imposing world of *Die Zauberflöte*. The opening chords here arrive without any feeling of majesty. The music of the trials does not acquire the aura of a wonderful and mysterious happening, as it should. Even Papageno lacks a spring in his step – a shame, as Olaf Bär is the outstanding vocal success of the set.

With its singing roles that aim high and low, this opera tends to attract starry casts on disc and that is certainly what we have here. Kiri Te Kanawa and Francisco Araiza make a sensitive pair as Pamina and Tamino, though neither sounds entirely at ease. Samuel Ramey is a less interesting Sarastro than one might have hoped and Cheryl Studer a remarkable Queen of the Night. But there is no feeling of team spirit. Where is the spontaneity that should make this, of all operas, a joy?

Mozart: *Die Zauberflöte.* Academy of St. Martin-in-the-Fields/Neville Marriner. Philips 426 276-2 (2 CDs)
Mozart: *Così fan tutte.* Academy of St. Martin-in-the-Fields/Neville Marriner. Philips 422 381-2 (3 CDs)
Mozart: *Piano Sonatas K 457 and K 331. Fantasias K 475 and K 397.* Maria Joao Pires. DG 429 739-2
Mozart: *Piano Concertos K 491 and K503.* András Schiff, Camerata Academica of the Salzburg Mozarteum/Sándor Végh. Decca 425 791-2
Mozart: *Symphonies Nos 38, "Prague", and 39.* English Baroque Soloists/John Eliot Gardiner. Philips 426 283-2
Mozart: *Requiem.* Schlick, Watkinson, Pregardien, van der Kamp, Amsterdam Baroque Orchestra/Ton Koopman. Erato 2292-45472-2

In *Così fan tutte*, by contrast, the successes happily outweigh the failings. The cast is well balanced and Marriner keeps the comedy bubbling along, even if he paddles through the deeper moments of the drama where a true Mozart opera conductor would be in up to his waist. The lyrical Fiordiligi of Karita Mattila is well differentiated from the more sparky Dorabella of Anne Sofie von Otter; Francisco Araiza's delicate Ferrando provides a good foil for the warm Guglielmo of Thomas Allen. Elzbieta Szmytka is a spirited Despina and José Van Dam a Don Alfonso with just enough sarcasm. This is definitely the set to try, of the two.

From the flood of other Mozart recordings, I shall select only four of the best. Maria Joao Pires has coupled two of the best-known piano sonatas on her disc – the Beethovenian C Minor and the A Major with the Turkish finale – and plays them with an innate sense of the music's scale and balance, bright and intelligent music-making with not a hint of preciosity. It is marvellous to find that a notable Mozart recital can still appear played on a conventional grand piano.

For his Mozart piano concerto cycle András Schiff uses a Bösendorfer and that instrument's unique tone quality gives the performances as a whole their distinctive aristocratic sound. In both the tragic C Minor, K.491, and the ceremonial K.503 Schiff offers much poetic playing, well supported by the Salzburg Mozarteum musicians under Sándor Végh. A recommendable issue, even if doubts briefly surface when the pianist suddenly breaks into Figaro's "Non più andrai" in the middle of his cadenza to K503.

On John Eliot Gardiner's disc of symphonies there are no eccentricities. These are simply first-rate performances that know exactly what they want to say and set about doing so with a precision of phrasing, colour and rhythmic propulsion that is of the highest standard. Even in the bicentenary year we will be lucky to get recordings of either the "Prague" or the E Flat Symphony as full of delicacy and exhilaration as these.

Finally, an inspirational new disc of Mozart's last work, the Requiem. Ton Koopman chose to set down his thoughts on this piece in a live recording and has captured a remarkable performance in the making. Where even the best of the other discs discussed here has done the conventional things, this one embarks on an entirely new journey. Everything seems to have been freshly thought out, from the stark and unyielding, cathedral-like granite of the choruses to the humble lyricism of the solo work. To me the disc has come as a revelation. I have played it again and again.

Richard Fairman

Behind the myth of camp 'n glitz

THE MOST extraordinary thing about the current regime at the Glasgow Citizens Theatre celebrating the 21st anniversary of Giles Havergal's directorship, with Philip Prowse and Robert David MacDonald the other triumvirs of an extraordinary venture, is that it has remained so extraordinary. Most theatres – most theatre directors or directorates – run out of either stamina or vision long before 21 years, but the Citz has constantly challenged, constantly renewed and revised its identity within a changing Glasgow and a changing Scottish theatre.

Michael Coveney's splendid book, which is considerably more than just a history of the Citz, is appropriately published as Glasgow celebrates its year as Cultural Capital of Europe. No other theatre in Britain has explored such an awesomely international repertoire; from its earliest days, taking over in 1969 a troubled theatre building in the Gorbals, through to its changes in a re-energised Glasgow and vibrantly buzzing Scottish theatre in the 1980's, its internationalism has eclipsed nationalism over a time which saw the collapsing dreams of the attempts to create a Scottish National Theatre.

It has also somehow managed to preserve a maverick reputation, and controversy has boisterously continued to surround it. It might be unlikely these days to find *The Scotsman* giving its front page over to a blast against a Citz production as it did in 1970 when its critic recoiled from "the hideous spectacle" of its *Hamlet*, although the novelist Allan Massie echoed many other critics over the years when he attacked the theatre's version of *The Spanish Tragedy* (1977) for "the contempt that is shown for the work being interpreted". Puritanism is, of course, much more ingrained in the Scottish character than in the English, and the old critical spleen erupted again as recently as 1988 over a *Macbeth* tersely dismissed in *The Glasgow Herald* as "a load of old cobblers."

As Coveney says, the Citz under its present directorate has always been "an aesthetically dissident theatre" and as such has also been widely – and often wildly – misunderstood. Even after 21 years there lingers a distinctly sour anti-Citz bias within much of the British theatre, possibly because of the triumvirate's indifference to metropolitan opinion or exposure. This suspicion assumes that the Citz is a palace of exotically camp self-indulgence, with its actors mere mannequins for gorgeous costumes and its directors treating texts as toys for their random dismemberment.

Coveney knows the Citz work better than any other British critic; he was an avowed champion from his earliest days as a critic and would seem to have seen virtually all the output over the 21 years he covers. Not the least of his achievements is his evocative description of the nature and style of the Citz productions – his coverage, for instance, of a seminal Citz piece such as Robert David MacDonald's *Chinchilla* (1977), based on Diaghilev and his circle, made me long to see again that most stunning of Philip Prowse productions, a piercingly beautiful and diamond-hard exploration of the nature of artistic collaboration and a key work in the developing Citz aesthetic.

Coveney frankly nails his critical colours to the mast, rightly to my mind, claiming that theatre criticism in both England and Scotland has become not less, but more reactionary over the past 15 years, its literary rather than theatrical bias reflecting a theatre not simply steeped in its dramatic literary heritage but enslaved by it. For him it is the theatre's business to liberate us from those shackles and "to give us another vantage point" and he can certainly justly claim that the Citz has done that to a degree unrivalled by any other British theatre or company. And in the process he succinctly destroys many of the myths that surround the theatre's reputation.

His extensive coverage of the Citz organisation, funding and administration knocks any charge of careless self-indulgence out of court; the figures prove that it must surely be one of the most efficiently run and tightly-controlled theatres in the country. Havergal's Scottish blood is probably responsible for the understatement of what he describes as "a slight moral thing" – his rigid refusal to put the theatre into the red.

THE CITZ: 21 YEARS OF THE GLASGOW CITIZENS THEATRE
by Michael Coveney
Nick Hern Books £14.95, 304 pages

Fascinatingly, in many different areas, Coveney reveals the pragmatism that underpins the flamboyant Citz image. This is, literally, a theatre that cuts its coat to suit its cloth – costumes are re-dyed, sets recycled, and if a production hits trouble and a shortfall, then subsequent budgets are pruned. Furthermore, by the end of his analyses of the work produced and the nature of the theatre's operation, it is clear that it is one of the most potent Citz illusions that while many people have developed an idea of what a "Citz production" is like, there was, and is, no single prototype or "official version".

The book is extremely well-ordered. Coveney's coverage of the repertoire scrutinises all the major Citz movements – its early, glitzy days of kamikaze raids on famous plays, its adaptations (Proust, Tolstoy, Dickens, Graham Greene), the Jacobean and European finds, the series of Wild and Coward reappraisals. Coveney also gives striking portraits of the triumvirate at its heart – Havergal the canny diplomat, Prowse the genuinely visionary designer-director and the dramaturge and house-dramatist MacDonald, the latter revealed in a long and often hilariously waspish dialogue with Coveney which captures exactly the "gutter mandarin" of MacDonald's style.

A very real sense of the spirit of a theatre building and organisation at work emerges from the material drawn from the theatre's staff and from many of the actors central to the Citz story. Coveney acutely pinpoints the "vagabond nature" of acting at the Citz, where the focus is on the actor rather than on acting, with the stage becoming a specially created world for the play and its people. And for a Sassenach he has also conveyed a vital sense of the changing Glasgow against which the Citz, with its insouciant bravura which seems to belong so well to that city, has grown. Sharp, combative and witty, this is a work of keen critical exploration as well as the story of a unique theatre.

Alan Strachan

Chess No. 841: 1 ... Bxb4 2 Qh6! Resigns. If gxh6 3 Nxh6 mate.

FOOD & WINE

How to store your claret . . . perfectly

*Are the lights too bright? Is the cellar too warm? **Jancis Robinson** knows where the best wines like to be kept*

I HAVE A friend, a very clever friend, who is also a wine writer. Like most of us, he spends too much on wine and has an inconveniently large collection of cases of a dozen bottles filled with awkwardly juvenile vintages for which he has no room at home.

He had been storing his wine at an efficient but expensive London warehouse but realised that he could save at least £100 a year by moving his "cellar" out to a merchant in the country. He accordingly spent two hours one day last year loading up a rented van, helped (surely rather sportingly) by his ex-cellarer. He set off wondering whether fully-loaded vans always felt quite as heavy.

His answer came 30 miles from his destination by way of a large sign in the rear window of the unmarked police car in front. "Stop!" it said. And back both vehicles went, many miles, to the nearest weigh station. The upshot was that he was fined £60 and missed an expensive and quite delicious Alsace tasting.

The moral of this tale is that there is more to wine storage than the annual case rate quoted by the warehousekeeper – but don't think that you need more than a dozen bottles of smart young bordeaux or vintage port in your wine collection before you need to think about hiring suitable cellar accommodation. Handing over your precious wine to someone else may seem unattractive, but saving a fiver a year by storing it in too bright a light or where the temperature ever exceeds 70°F is a false economy that could cost you the wine's savour and quality.

The accompanying table shows wide disparity in annual case rates (some of them calculated from weekly or quarterly rates for quite a large minimum quantity) as well as wide variations in terms and conditions. Where to store will depend on how much wine you have, where you live, how often you need access to it, what you eventually intend to do with it and, to a certain extent, where you bought it. Choosing a bonded warehouse will save you the VAT and British excise duty on wine shipped directly from abroad but whole cases of a dozen unmixed bottles only are accepted.

It is the older, more traditional wine merchants which tend to offer the cheapest storage and a quick look at the table might suggest that Averys of Bristol would be your *ideal cellarers – but they* lack some important extras and you have to limit your wine collection to what they have to offer.

There are some brave, lazy or well-organised wine collectors who manage to keep a few cases here and a few cases there according to where they buy their wine, but many of them have sorry tales to tell. Only Bibendum, The Bin Club, Gelston Castle, Hungerford and The Wine Society are perfectly happy to store wine bought elsewhere. Justerini's and Ellis, Son & Vidler will store other merchants' wines, at a supplement.

Charges are levied once a year in advance by most merchants, who tend to charge by the year or part year, and from a set date that varies from merchant to merchant. It may be some time since some of them calculated just how much customers' cellarage was costing them. The better ones issue annual advice on wine maturity and current value as well as a stock certificate.

The warehouse specialists, who tend also to have trade customers (some of them acting solely on behalf of private investors) who pay less to store more wine, charge by the week or month and also levy a charge of around £2 a case for the overall operation of receiving, handling and eventually *withdrawing the wine as far as* the cellar door.

They also tend to charge extra for mixed cases – presumably because they know from bitter experience how much work they can involve – and are taking over more and more merchants' customer storage on their behalf as the job is patently such a nitpicking pain.

There is many a horror story about missing or broken wines, and indeed one warehouse went spectacularly bust in the early '70s, leaving thousands of unmarked cases, a morass of incomplete cellar records and some extremely twitchy wine traders.

Today, each case, and sometimes each bottle, should be *individually identified and* a well-run computer system such as Smith & Taylor's leaves customers feeling secure. But a *computer is by no means the* be-all and end-all, as the more recent demise of London Wine Shippers demonstrated.

Insurance at current market value is essential. The specialist warehousekeepers tend to have their own schemes available at a premium while most, but not all, merchants include some sort of insurance.

As always, tedious minutes spent poring over the fine print can pay. *If cover at original* purchase price were really sufficient, as offered by some merchants, there might not be that much point in *storing the wine* anyway – better to buy as you need it. Your own household insurance may cover wine stored elsewhere.

Personally, I would be tempted to join either The Bin Club or The Wine Society – if I hadn't convinced myself that my own cellar was perfectly adequate.

SPECIALIST WAREHOUSES

Warehouse keeper	Storage (£) per case per year	Mixed cases accepted	Min. quantity charged for (case)	Insurance included	Bonded storage available	Notice required for withdrawals
CERT, CORSHAM	4.20	Yes	1	own scheme*	Yes	1 day
MONTAGUE CELLARS	5.50	Yes	7	No	No	1 day
SMITH & TAYLOR	9.97	Yes	30	own scheme*	Not yet	1 day
	7.98	Yes	60			free
TRAPPS CELLARS	5.50	Yes	1	own scheme*	Yes	1 day pref.

*at a supplement

WINE MERCHANTS WHO WILL HOLD CUSTOMERS' RESERVES

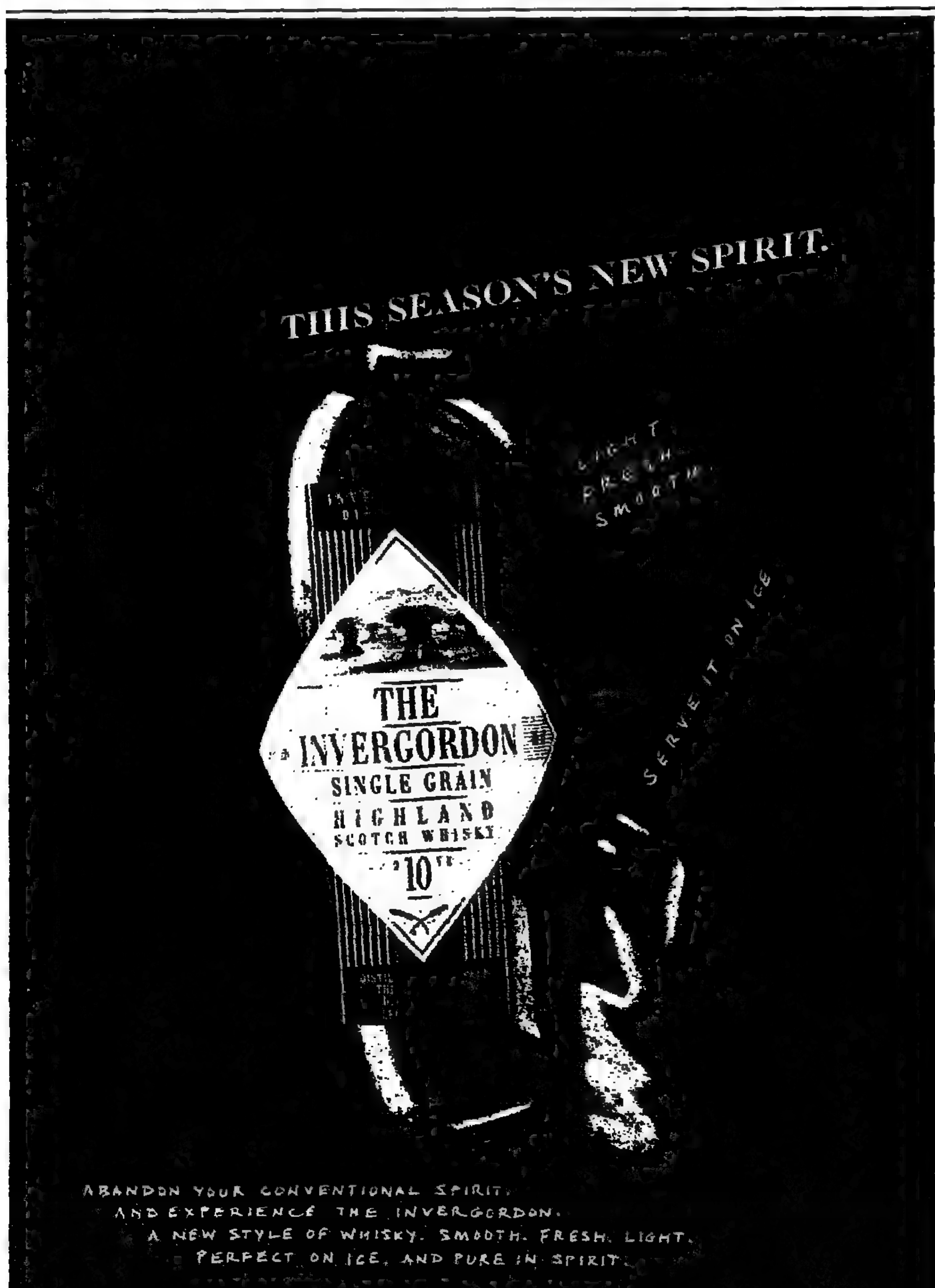
Merchant	Storage (£) per case per year	Mixed cases accepted	Min. quantity charged for (Case)	Insurance included	Bonded storage available	Notice required for withdrawals
ADNAMS	3.50	No	1	#	No	1 day
AVERYS	2.50	No	1	No	Yes	2 weeks
BERRY BROS. & RUDD	3.73	Yes	1 bot	#	Yes	2 days
BIN CLUB	(3.99 1st yr) +2.76 (3.45 in bond)	Yes	1	Yes	Yes	1 day
BIBENDUM	4.82	No	[illegible]	Yes	Yes	4 days
CORNEY & BARROW	4.60	No	1	Yes	Yes	1 day
ELLIS, SON VIDLER	5.69 (*£6.64)	No	1	80p per case p.a.	Yes	2 weeks
GELSTON CASTLE	3.45	Yes	1	Yes	20 case min	1 day
JOHN HARVEY	4.27	Yes	1	Yes	Yes	10 days
HUNGERFORD	7.82	No	1	Yes	Yes	2 weeks
INT WINE MANAGEMENT	4.17	Yes	2	##0.2%	Yes	1 day
JUSTERINI & BROOKS	3.75 (*7.50)	No	1	Yes	Yes	3 days
LAY & WHEELER	4.55	No	1	##0.3%	Yes	1 day (duty) 1 wk (bond)
MAGNUM FINE WINE	2.60	No	4	##0.75%	Only	1 day
HOUSE OF TOWNEND	3.10	Yes	1	No	Yes	2 days
THE WINE SOC.	**3.60	No	1	Yes	No	2-3 days

+plus £15 enrolment fee; #at purchase price; ##of replacement value charged; *if not ESV wine; *if not J&B wine; **plus £20 life share for membership but they will store wines bought elsewhere

What the cellars offer

ADNAMS. Temperature controlled cellar in Southwold. Even Adnams' excellent list may be too limiting. You would need to be organised and to take out extra insurance. Tel: 0502-724222.
AVERYS. Historic Bristol firm with low storage rates but not very low wine prices. No extras included. 0272-214141.
BERRY BROS. Miraculously untouched St James's shop with improving but still rather quaint wine list, uses good modern Basingstoke storage. Stock certificates and advice on maturity issued. 071-839-9033.
BIBENDUM. Interesting hybrid of traditional merchant and youthful enthusiast offers a user-friendly service particularly within London where delivery is free. Willing to take on wines bought elsewhere for a one-off payment of £1.15 per case. 071-722-5577.
THE BIN CLUB. Ingenious reincarnation of 200-year-old merchant Howells of Bristol. Primarily a scheme for buying young wine and cognac and then storing it inexpensively, but other merchants' wines are allowed in to their Bristol warehouse and premises at Wickwar in the Cotswolds. 0454-294085.
CORNEY & BARROW. City merchant charges steeply for storage but in arrears. Not very flexible and it knows how to charge for its – often top drawer – wine too. 071-251-4051.
ELLIS, SON & VIDLER. Famous cellars at Lewes tunnelled into the chalk cliffs provide romantic, though not cheap, duty paid cellarage. Corsham (see below) is used for storage under bond. 0273-480235.
GELSTON CASTLE. Former cheese factory near Castle Douglas provides inexpensive duty-paid storage in south west Scotland. 0556-3012.
JOHN HARVEY The fine wine arm of Harveys of Bristol, like Averys, takes its time to find your wine but the price is all-inclusive and they have their own special buying scheme. 0272-268882.
THE HUNGERFORD WINE COMPANY. The lively specialist en primeur bordeaux merchant is another Corsham client. No hidden extras. 0488-683238.
INTERNATIONAL WINE MANAGEMENT has the same aims as The Bin Club but is trying, from its small Plymouth base, to achieve a more Mark McCormack-like gloss with its offer of "a comprehensive portfolio management service". Wine is stored at Corsham. 0752-342383.
JUSTERINI & BROOKS. The Selected Cellar Plan of this pukka St James's and Edinburgh merchant will buy fine wine according to your budget and preference and store it cheaply – even storing other merchants' wines, at a price, in London. J & B's own list is not too limiting however. 071-493-8721 or 031-226-4202.
LAY & WHEELER. Admirably efficient Colchester merchant can offer a wide selection at fair prices. Storage is not cheap but is thoughtful, including annual stock certificates together with details of maturity and replacement value. Insurance is extra. 0206-764446.

MAGNUM FINE WINES. Another specialist in "portfolio management" based just next door to Christie's and aimed at those prepared to give Magnum and its consultant David Peppercorn £1,000 to invest mainly in top drawer claret for at least three years. They too use Corsham to store their £2m worth of stock, which has clearly negotiated a good rate for them and their 200 clients although insurance premiums are high. 071-839-5782.
HOUSE OF TOWNEND. Hull-based traditional wine merchant has the *only bonded* wine warehouse on Humberside and fair storage prices though no extras. 0482-26891.
THE WINE SOCIETY. Unusually user-friendly in extended modern carefully-controlled warehousing at Stevenage. Almost worth joining specially for the storage (including up to 10 cases of other retailers' wines too). Good on helpful staff, thoughtful offers and graphics. 0438-740222.
CERT. Public company formed five years ago. Aggressive takeovers have given CERT dominance of UK warehousing, although it is more obviously attuned to container loads of vermouth than your case of petits châteaux. Main fine wine depot is the vast, recently dehumidified subterranean Wiltshire ex-ammunitions dump that was Frazers of Corsham. Good physical conditions but you may miss the personal touch. 0225-810735.
MONTAGUE CELLARS. Good computerised traditional cellar run by Sebastian Kent, wine merchant Andrew Bruce and "our well mannered staff" under London Bridge. Small, friendly but no extras and a minimum annual charge of £40. 071-403-5453.
SMITH & TAYLOR. Excellent service by all accounts in modern premises in Battersea. Service aimed specifically at private wine collectors. The drawbacks are the prices (plus £17.50 for each hour or part-hour of cellar work undertaken on your behalf) and the fact that you must rent a minimum of a half box, which will hold about 30 wooden cases. 071-627-5070.
TRAPPS. *Damp fine wine* institution under London Bridge station described two weeks ago. Complex scale of charges *but not expensive* considering location and no hidden extras. 071-407-4421.



Vin de pays

THE CREATION in 1968, with its initial application in 1973, of the category Vins de Pays was the brilliant idea of the French Government through its agency, the Institut National des Appellations d'Origine (INAO), writes Edmund Penning-Rowsell. Previously, if a wine was not denominated as an Appellation d'Origine Controlee (AOC) or a Vin Delimite de Qualite Superieure (VDQS), it was just a common or garden vin de table, alternatively called un vin de consommation courante (VCC).

This is basically what vins de pays are but, by giving them a regional name, such as Vins de Pays des Cotes de Gascogne, or a purely local one, such as Uzeges from around the small town of Uzes to the west of Avignon, these wines are given a certain identity and class. Controls are exercised on the viticulture and the wine-making – more strictly on the local wines – but no stricter guarantee of quality is provided.

Most have been a considerable success as inexpensive wines for early consumption, but for those without a detailed knowledge of the viticultural map of France they are apt to be confusing, and Rosemary George's *French Country Wines* (Faber, £14.99) is a useful addition to the wine bookcase. In the course of ten visits to France between 1985 and 1987 she covered the country, including an expedition to Corsica. Her book is arranged by regions, starting with the south west, including the foothills of the Pyrenees, continuing through the Midi – the most promising of the *vins de pays* – and on through Provence, the Loire, Savoy and Jura, and finishing with the obscure Côte de Toul and Vins de Moselle, as well as the Clos de Montmartre in Paris (although she did miss the rare but attractive Rose de Riceys in the Aube).

She does not restrict herself to the *vins de pays* (133 of them according to her, but now 144 at the latest count), but describes such little-known AOCS as Cassis and Bellet near the Mediterranean, and the VDQs wines of the Côtes de Buzet.

Such self-regarding districts as Bergerac and Cahors would not be flattered to be called country wines but they do not figure in the works devoted to more celebrated wine regions and, as with the lower nominated districts, their wines are described along with their historical background and some of their leading producers.

■ *More wine books will be reviewed by Edmund Penning-Rowsell next week.*

Get on the scent of a Norfolk Biffin

A RECENT press release made my heart sink. Golden Delicious from France, it announced, is now "Britain's top selling apple." Better news for lovers of good British apples comes from other quarters. The saving of the national fruit collection and trial grounds at Brogdale, Faversham, Kent, is cause for real jubilation.

Celebrations are also heralded for Apple Day, to be held on October 21. The lead-up to Apple Day begins next week. On Tuesday, for the first time since London's fruit and vegetable wholesale market crossed the river, old Covent Garden will be filled with the rich scent of apples.

A marquee in the east piazza, open daily from 11am to 7pm, will house a display of at least 100 different regional apples. There will be apple tastings too and a photographic exhibition of west country orchards. Apple Day will bring added attractions. There will be an apple road show with Dr Joan Morgan so that people can bring unnamed apples for identification. Sick apples (on the twig with leaves) can be brought to experts David Pennell and Jack Ingram for consultations.

Jollifications will include apple jugglers and apple pie bed demonstrations. There will be stalls where you can meet people from Brogdale Horticultural Trust, and some of the best fruit growers, nurserymen and farm shops countrywide. There will be cider and apple juice makers, bee-keepers, conservationists, makers of juice presses, and others selling home-made apple pies, crab apple jellies and the like.

Apple Day is organised by Common Ground, a group which is promoting awareness *of the importance of traditional* orchards and diversity of local varieties. Several thousand varieties have been recorded in Britain, but a mere handful now dominate our commercial orchards and shops. These few tend to be pale imitations of *their natural, homegrown* counterparts – because they are grown not so much with a view to good eating as for the sake of high yield, uniform size and easy picking. These apples may be watered and fed with all sorts of chemicals, picked when immature and held in cold storage, to be released on to the market gradually in defiance of the seasons.

Apple Day offers a marvellous opportunity to learn something about the wealth of apples that can be grown in Britain, some of which are particular to certain localities, as names like Cornish Gillyflower and Norfolk Biffin testify. I have just heard of an apple called Roundway Magnum Bonum, which was first raised not far from where I live. I look forward to to tasting it.

Whether or not an apple a day keeps the doctor away I do not know, but dessert apples, which are grown with more concern for good eating than profit and which are not picked too soon, are a juicy, fresh pleasure. Sweetness and acidity are well balanced in the best varieties, and these qualities are further enhanced by complex aromatic flavours.

Served just as they are, such apples round off a fine meal most enjoyably. If the occasion seems to call for a pudding, I suggest the simpler the better. Why strive to produce some sort of fancy triple tranche de luxe when a far less elaborate and less time-consuming confection will show off top quality fruit rather better?

APPLE CROUTONS

This is one of the easiest and loveliest of all apple sweets. First fry in clarified or unsalted butter some fluted rounds of rich bread (brioche, cholla or milk loaf), allowing one slice per person. Then peel, core and slice some dessert apples (four fine apples should be enough for six people) and sauté *them for a few minutes* until hot and streaked with gold. Pile the hot apples on to the croutons, dust lightly with sugar if you like and serve straight away, with or without clotted cream.

■ For further information about Apple Day and/or The Orchards Campaign, contact Common Ground, 45 Shelton Street, London WC2H 9HJ.

■ The gremlins crept in to my column last week. The duck recipe I quoted by Joyce Molyneaux is *atypically* demanding; blessedly few recipes in her lovely book – the *Carved Angel Cookbook* – call for last-minute cooking and plate service.

Philippa Davenport

TRAVEL

The remnants of an old aristocracy

Tom Fort travels in the footsteps of writer Patrick Leigh Fermor in Eastern Europe

FOR 40 years and more, the bridge which once stretched across the Danube between Slovakia and the ancient Hungarian town of Esztergom has been a ruin, with two lonely mutilated stumps in the middle. Ten years before its wartime destruction it had helped inspire two of the most magical passages in modern travel writing.

The end of Patrick Leigh Fermor's *A Time of Gifts* finds him in the centre of the bridge. It is Easter Saturday; as the storks fly upstream, the people of Esztergom make their way towards the colossal Basilica above the town. The start of its sequel, *Between the Woods and the Trees*, sees him hurrying across, being welcomed by the mayor, and witnessing the splendour of the Paschal ritual in the church.

From the cupola, high above the Danube, it is possible to trace the young traveller's steps. Past the frontier post at the end of the the bridge – where now stands a curious relic, an abandoned motor launch surrounded by weeds – Leigh Fermor must have turned left, past the parish church of the Watertown, with the primate's palace to its left, and up the hill towards the cathedral square.

But to recapture the fabulous opulence of the scene he described is more difficult. Groups of German tourists yawning at the basilica's frigid neo-classical magnificence are a poor replacement for the massed ranks of gorgeously apparelled prelates and nobles who thronged the marbled spaces in Leigh Fermor's time.

In the square a line of air-conditioned coaches stands in the place of the carriages of the bishops and princes. A trio of student woodwind players gives a reedy rendition of a Haydn *divertimento*, close to the line of stalls selling dolls and blouses with peasant motifs. On the other side is a grey wall of prefabricated concrete, partly concealing what was once a grand palace, left in extreme disrepair when the Soviet troops who had annexed it made their unlamented departure.

The oak and beech woods of the Pilis Hills, into which Leigh Fermor strode after leaving Esztergom, survive although the slopes above the Danube on both the Slovakian and Hungarian sides have acquired a suburban sprawl of holiday homes. This the Englishman was spared – as well as a much worse horror a few miles downstream, at Nagymaros.

The Austrians, it may be recalled, decided that they needed the power from a new Danube dam, but were unable to persuade fractious environmentalists to swallow it. The Czechoslovak and Hungarian regimes, troubled by no such scruples, equally desperate for electricity, and bankrupt, jumped at the chance of the dam.

The Czechs quietly got on with their bit. But in Hungary, the leadership found that environmentalism had become a *cause sans frontieres*. The outcome of an international storm of protest was that on the Hungarian side of the river, nothing whatever was done. Today we find an enormous, useless wedge of earth and boulders, jutting into the river from Slovakia – an absurd monument to folly.

In Budapest, Leigh Fermor stayed in Uri Utca, still one of the loveliest streets in the city's loveliest part, on Castle Hill. I was back among barons, he says of his situation, and, while the counts and countesses have gone, the street retains much of its elegance and quiet dignity.

Next to the church, though, is a recent and horrible embodiment of capitalist philistinism, the mass of the Hilton Hotel. Its dung-coloured reflecting windows blight one of the great city skylines of the world. Below, the view of the Danube is equally disfigured by the Hilton's nasty cousins – the Duna InterContinental, the Atrium Hyatt and the Forum.

I caught up again with Leigh Fermor far away from Budapest's opulence, in a village called Koroskadany, slumbering in the Great Plain of the east. There the young author was the guest of another noble-born pair, at their *kastely* – which, as he points out, is more reminiscent of a manor house than a fortified castle.

The house at Koroskadany is much as he describes it – a long, ochre-coloured late 18th century building with faded tiles and house martens' nests. Of the count and countess, the antlers and old books and portraits of aristocratic kinsmen, there is no sign. It is now the Lajos Tukony Elementary School. On a warm summer's afternoon it was empty and lifeless, the dusty desks and stacked chairs visible through cobwebbed windows, with EROS scratched in the stucco by the gates.

Behind, enclosed by tall oaks, acacias and limes, was as picturesque a football pitch as could be imagined. The river Koros – hardly swift and clear as Leigh Fermor remembered it, although reputedly still full of fish – flowed between the willows beyond.

Further south, the traveller was given a lift by two nuns, and dropped outside a great house which he calls – with an odd, Irish touch – O'Kigyos. Among those disporting themselves on the sweep of the balustraded steps was his host, Count Joszi, and within minutes he had been recruited for a rough game of bicycle polo.

The grandeur of the vast, ochre-coloured pile is sadly reduced. Inside, the great chandeliers still hang, crystals reflected in marble fireplaces, but the furniture is leatherette and where oil paintings once hung, there are now photographs of past alumni of the agricultural college it has become.

Outside, a heroic, futile effort is made to keep the box hedges trimmed. But they, and the yews and the rose gardens, are choked by bindweed and other, more vigorous invaders. Only the majesty of the trees is undimmed, oblivious to the decline of the house and the stench drifting from the neighbouring goose farm.

Leigh Fermor had, by now, clearly become a favourite of the Hungarian landed aristocracy, a cherished English parcel passed from one noble family to the next. Of these, none was more celebrated nor numerous than the Telekis, with close to a score of mansions scattered across eastern Hungary and the Transylvanian part of Romania.

Once in Romania, the traveller made his way – via an assortment of comfortable stops – to the house of Count Eugene Teleki at *Capilnas* (*Kapolnas in Hungarian*), in the valley of the Mures. There a double flight of steps mounted to a terrace, and the moth-collecting count was waiting to welcome him.

The reception I received from the chief doctor of what is now a psychiatric institute was less warm. Indeed, I was politely expelled, after being able to note little more than a pallid, mediocre house, a garden again succumbing to neglect, and a stone stag without a face standing beside a dank pool.

Further up the Mures, the *kastely* of the very pretty Xenia is also a refuge for the mentally disturbed, who sit in pyjamas beneath the trees. A few miles upriver from there is the house of Leigh Fermor's greatest friend, whom he calls Istvan.

It took a little finding. Only a chance encounter with the priest's wife put me on the trail of the *kastely*, which she said was *kaput*. I turned off a lane into a courtyard, and there was the flattened arch and the gigantic chestnut trees, with a modest, single-storey building beyond.

Leigh Fermor describes green and purpled panes glimmering in a fanlight at the end of an arcade, and there they were, with the door beneath opening to a *loggia*. Below it was a tangled riot of bamboos, planted by Istvan's father, and beyond that groves of soaring trees.

The building has some administrative function connected with crop research, but it was deserted. However, the man who looks after it was at his home nearby, and his wife, miraculously, spoke English. They showed me the cool, crumbling house, identified the rare trees, took me to the family grave desecrated by the Communists after the war, then gave me cold beer and a delicious lunch.

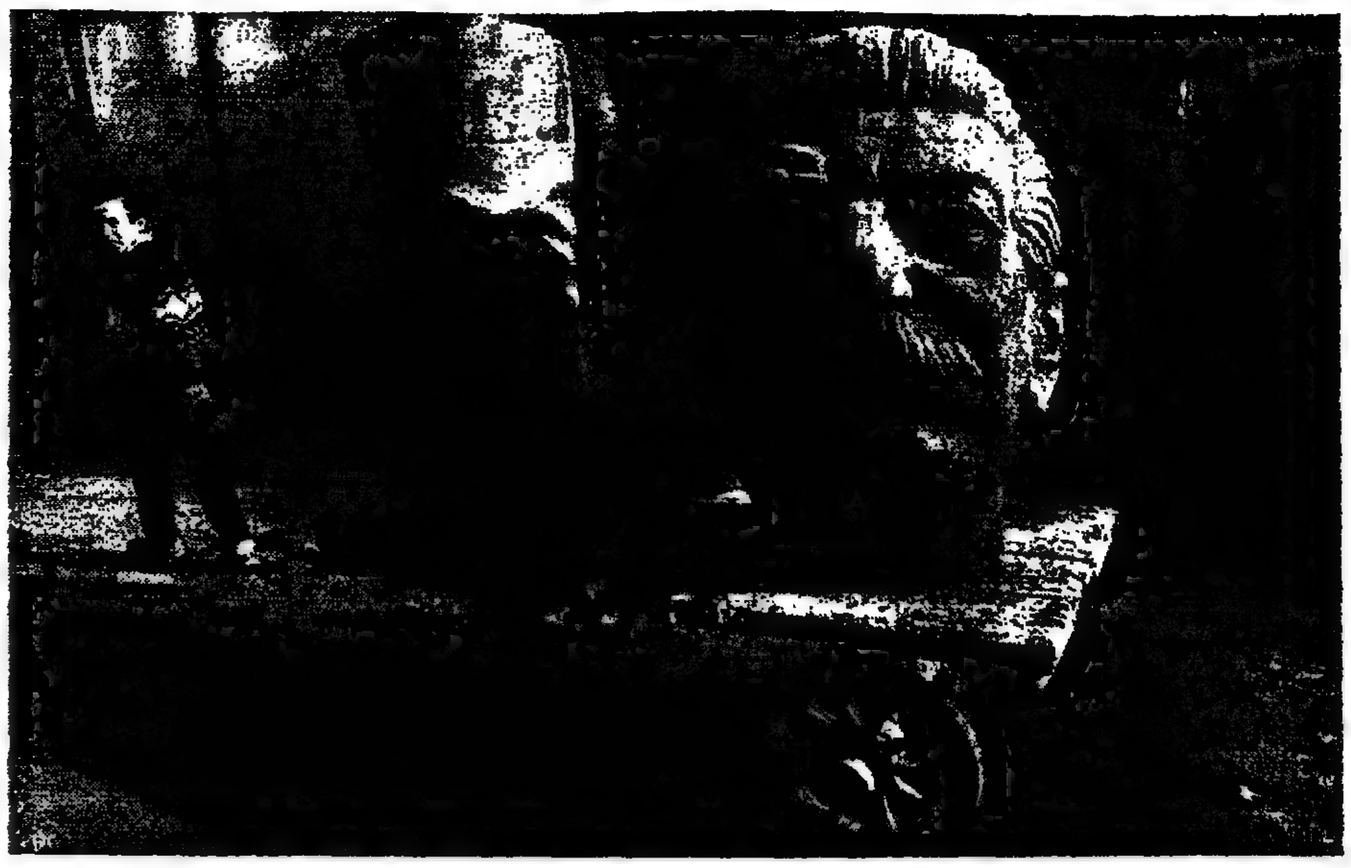
From that part of Transylvania, after various enviable escapades, Leigh Fermor eventually struck south, towards the Danube. Had he followed the upstream course of the Mures he would have come to more grand houses of the Hungarian nobility, and, no doubt, more characteristic hospitality.

Beyond Tirgu-Mures is the the village of Dumbravioara (Saromberke in Hungarian), with a long, low stuccoed Teleki mansion, now another agricultural institution. Just visible across the fields is a much grander pile, at Gornesti (Gernyeszeg in Hungarian), a principal stronghold of the Telekis. This had the most splendid park of all, surrounding a monumental château, now a school for tubercular children, damp, uncherished. A line of mighty willows faced the building, and there was a moat, with an island and a stone statue face down in the water. I came across a stone monument among the weeds, with a flaking Latin inscription, commemorating the family and its high offices.

In Tirgu-Mures itself I found perhaps the last bearer of that resonant name still living on Romanian soil. The Countess Gemma Teleki, aged 83, was once the mistress of Saromberke. With her husband, she had been at the heart of that world of privilege and wealth, of polo parties and hunting weekends, of duels and romantic intrigue, so long ago annihilated by war.

Now she lives in a single basement room, and sells flowers in the street, entirely without resentment at the contrast with that earlier life. She remembers the good in what has gone, and acknowledges the good around her now. Her children and grandchildren are scattered across the world, but their invitations to join them have been firmly declined.

Taught English by her Cambridge-educated father (another Count Teleki), she answered my questions with immense patience and courtesy, remembering many of the shadowy figures who flitted so exotically through Leigh Fermor's pages. When I left, she gave me some apricots, and asked me to send her some English gardening magazines. She wanted nothing else.



Goodbye Stalin: the remains of an era are carted off to the storerooms of production company Hungarfilm in Budapest

Taking it easy in the Gellert Hotel spring water baths in Hungary's capital

TRAVEL BOOKS

The rains, the rains

ONLY ONCE have I ever been involved in a brawl, writes Nicholas Woodsworth. It was in India, outside the New Delhi railway station, and over a minor matter. The driver of the black and yellow trishaw that delivered me to the station short-changed me, claiming we had agreed on a higher fare at the outset.

It was a preposterous charge that he demanded, even from a foreigner. Discussion turned to argument, argument to shouting and shouting to push and shove. In no time at all we were rolling on the ground outside the station steps, both bent on murder, and were separated only by the Indian crowd that gathers anywhere the moment diversion is offered.

I remain ashamed of the incident – the driver was a spindly little man whose main defence was sharp knees and elbows – but plead mitigating circumstance. The scuffle took place at the end of June, just two days before the long-awaited monsoon broke over the city. For weeks the temperature had refused, day or night, to drop below 46°C. It gripped Delhi and the whole north Indian plain in a kind of sleepless, mute suffering that was broken only by rashes of heat-induced madness. I was not the only one to lose my cool; all over the city, in stifling homes, banks and buses, ordinarily rational and courteous people were being driven over the brink.

The relief, when it came, was just as remarkable. When dark monsoon clouds appeared over the horizon and finally burst in a climactic deluge, people dropped whatever they were doing and, happy faces upturned, ran out into the streets. Like them, I too ran out into the cool, soaking rain, ready to celebrate with everyone around, even a certain bony-elbowed trishaw driver.

In England, rain is a rather depressing affair. In India, in the form of the monsoon, its arrival is not dreary but dramatic, an annual occurence of life-and-death importance. There is little in India the monsoon does not affect. Vital to crops and the survival of more than 800m people, the monsoon has also been essential in shaping India's philosophies, politics, medicine, architecture, arts, even its sexuality. Its failures through history have led to disaster on a vast scale. Small wonder, then, that in the words of one character in Alexander Frater's *Chasing the Monsoon*, the arrival of the rains in India is not just dramatic, it is "operatic".

Frater comes from an eccentric family with a passion for natural phenomena. His grandfather, a Scottish missionary in the New Hebrides, was an amateur vulcanologist who named his subjects after female screen stars ("Carmen Miranda has blown up!", he would rush in shouting). His father, a doctor on the same islands, was keenly interested in meteorology, and Frater grew up surrounded by rain guages, anemometers and tropical storms.

Frater, now chief travel writer with *The Observer*, seems to have been infected by the bug, and recently set out to follow the monsoon's stormy front as it progressed from Kerala in south India to Cherrapunji in the Himalayas – the wettest place on earth. In doing so he has found a new approach to a much-worked and somewhat tired subject, the Indian travelogue.

Frater's itinerary was determined strictly by the monsoon – all the people he met, the places he went, and the books he read were involved in one way or another with it. Yet so intricately woven into every aspect of Indian life is the monsoon that the author wanders comfortably and legitimately in and out of a large number of subjects.

At the same time, the backbone of the story is journey itself – the constant, often comic frustrations of keeping up with a natural phenomenon in a country renowned for human unpredictability. Blended together, monsoon folklore and travel diary make for a read that is both informative and entertaining.

Along the monsoon route, for example, we are introduced to the personnel of the Indian Meteorological Department, and through them to the monsoon itself – a vastly complicated, often little understood weather system that possesses all the personality quirks of the human being.

We also meet a wide variety of real human beings – Indians across whose lives the monsoon trails its annual soggy mark; rainmakers whose prayers can precipitate the monsoon within hours, Ayurvedic doctors who specialise in monsoon cures; politicians for whom the rain's failure is instant doom; monsoon poets and musicians, farmers and fisherman, spice merchants and airline pilots.

We even run into a Bombay socialite who proclaims that the monsoon is a "terrifically sexy time," a period of inhibitions shed and lovers taken.

Perhaps more strongly portrayed than people – Frater too easily falls prey to the temptation to make all Indians sound either like profound sages or comic wits – are places and histories.

We also learn how the Victorians coped with the rain and how Calcuttans cope – or don't cope – with it today. Frater was horrified to hear the story of countless citizens sucked through open manholes while walking through flooded streets; my own favourite anecdote in the book is of the children who stood on an underwater platform in a flooded dip in the road. By thus visually reassuring drivers that the water was only inches deep, they were then able to charge great sums to push the stalled vehicles out.

Most important of all, Frater has the descriptive ability to write of the weather itself. The book is littered with passages describing various weather phenomena. Here he catches the excitement of the monsoon arriving at Kovalam Beach:

"More holiday-makers were joining the line. The imbroglio of inky cloud swirling overhead contained nimbostratus, cumulonimbus, and Lord knows what else, all riven by updraughts, downdraughts, and vertical windshear. Thunder boomed. . .

"Then, beyond the cumuliform anvils and soaring castellanus turrets, we saw a broad, ragged band of luminous indigo heading slowly inshore. Lesser clouds suspended beneath it like flapping curtains reached right down to the sea.

"'The rains!' everyone sang."

Given Frater's enthusiasm for his subject, it is an excitement worth catching.

■ *Chasing the Monsoon* is written by Alexander Frater and published by Viking at £14.95.

■ "Apart from mosquitoes, the most dangerous animals are men, be they bandits or behind steering wheels. Think carefully about violent confrontations and wear a seatbelt, if you are lucky enough to have one available." Such good-humoured but wise advice is one of the many reasons why the *Mexico and Central American Handbook 1991* is both fun to read and invaluable for travellers, writes Robert Graham.

All too often guides seem to be dictated by the interests of travel agencies and of the host countries instead of the traveller. But this one, like its stablemate, the excellent *South American Handbook*, now in its *67th edition*, is packed with useful information about places to see, where to stay and how to get around. The information – up-to-date and accurate – is sent in by travellers themselves.

For instance, one of my once-favourite Mexican Pacific coast hideaways is rightly described as "getting very touristy," adding: "There can be dangerous waves . . . non-swimmers should not bathe except in the bay on which the town stands – be careful, do not stray too far along the beach, armed robbery by groups of three to five is becoming more and more frequent." Or take the general advice offered about visiting El Salvador: "Contrary to the advice for many countries, look like a tourist, but don't point your camera in the wrong direction."

The bulk of the guide was formerly part of the *South American Handbook*. This was getting pretty bulky to carry around, and it is a wholly justifiable step to split the region, so providing more specialisation. Last year the Caribbean was hived off into a separate guide. I am never without these guides, but perhaps what I especially appreciate is the way this and the *South American Handbook* provide the kind of information that encourages travellers to be curious and do things on their own. This is the only inoculation against mass tourism.

■ The *South American Handbook* sells at £19.95, from Trade and Travel Publications. The *Mexico and Central American Handbook* is £12.95, and the *Caribbean Islands Handbook* £11.95.

IMPORTANT ANNOUNCEMENT

TRAVEL BROCHURE GUIDE WEEKEND F.T. SEPT 29

We regret that there was an error in the numbering system on the reply coupon. Would readers kindly note that the coupon should read as follows:

35 - Transatlantic Wings/Caribbean Experience
36 - Ski Whizz
37 - Alternative Islands
38 - Asia Voyages
39 - Okavango Explorations
40 - Prospect Art Tours
41 - International Chapters
42 - Marsans International
43 - Steamond International

Should you receive the wrong brochure, please telephone Dawn Bedwell on 071-873 3390. We will then ensure that you receive the correct brochure.

A London exhibition of Pierre Cardin's work opens on Wednesday. ***Lucia van der Post*** *met the man with the multi-million pound signature*

Cardin and the art of the deal

PIERRE CARDIN has a problem. From where he sits in his gloomy, uncared-for office in the rue du Faubourg de Saint-Honoré in Paris almost everything he can see he owns. To the left is Maxim's, below is his couture house, nearby are his ready-to-wear boutiques and L'Espace Cardin, with its theatre and restaurant complex, while close by is La Residence, his own (very) superior hotel.

He is thought to be the richest of all the Paris designers. His company is still privately owned and his total wealth – a matter about which he professes a sublime indifference – can only be guessed at.

He will tell you that he has 840 licencees arrangements worldwide, which generate some £1.2bn at retail. He will tell you also that he wants for nothing. But he is 68, and knows he cannot live forever. He is still hard-working, robust, creative, but what is to become of it all, when he is gone? That is what exercises him now.

"I want to sell my name – the whole company – eventually. Every day there are people who come to see me, who want to buy it but it must be right. I have worked for 40 years to build my name and I must make sure that my name and my staff will be looked after. For the moment my great strength is that I do not need to do anything. I will only do something when I feel it is right."

In the meantime M. Cardin is a very, very busy. The day before I saw him he had just bought back his perfume business. "I sold it 20 years ago when it became so big that I didn't have enough money to develop it. Now I am very happy to have it back." He is not saying what he paid for it. Today he is more keen to talk about Pakistan. He has already built up one of the world's largest collection of licensee arrangements. He has conquered Japan, Russia, China. Pakistan is next on the list.

"We work in a unique way. We believe in building a friendship with a country. We go in for joint ventures. We build factories with them and employ locals to produce our ranges. In this way the cost of production is adapted to the local cost of living and this is why it is so successful. Few other designers work this way. In Russia we have 32 factories producing Cardin clothing and in Moscow we are so successful that each day people queue up at 7am to buy the shirts that come on to the shelves that day. In Peking and Shanghai deliveries are made every morning and by the afternoon the shelves are empty."

Cardin: the name's the game

M. Cardin started his fashion house in 1950, after working for three years for Dior. He quickly found a style of his own, developing strong, sculptural shapes, endlessly experimenting with the rectangle, the diamond and the circle, finding new ways of expressing them in clothes.

He seems, in retrospect, to have been almost restlessly inventive. Who first thought that men's suits could be items of high fashion? Cardin did. Who invented the kipper tie? Cardin, *bien sur*. Who invented tights? Cardin. Who first gave us knitted catsuits, vinyl dresses, close-fitting helmets, batwing jumpsuits, tubular dresses, space-age tunics? Why, Cardin, of course.

Most of all, he was the first couturier to produce a boutique or ready-to-wear line. He saw that the middle-men who transformed haute couture fashions into clothes for the masses were the ones who made the real money. He decided to become a middle-man himself, as well as a couturier. It caused a scandal in the gilded world of the *Chambre Syndicale* – but it also set him free. From there it was but a short step to scrawling his signature on ties and fridges, on chocolates and radios, on scarves and scents. It brought him a fortune.

As a designer he is probably best remembered for what he did for menswear. In 1960 he changed it forever. He took the suit, with its clearly defined components, its traditional fabrics, shapes and lines, and showed that there were still new things that could be done with it.

He gave men all-in-one knit suits, jersey jackets with zip openings, trousers cropped three-quarters of the way down the leg, and – perhaps most wearable of all – he gave them the collarless, lapelless jacket. Now, it may well be true that none of these are *de rigueur* down my way or yours, but what they did do was to take the suit out of the realms of the pre-ordained and into the world of fashion. Today 40 per cent of his business is in menswear, 30 per cent in womens and 30 per cent in a combination of accessories and what he calls *"l'environnement"*.

M. Cardin professes a sublime indifference to his wealth, and I believe him. He long ago passed the stage where working just to get more money could conceivably be the point. To be *first* seems to matter greatly; to go where no-one else has gone before is important. His work-force seems to be his family. He is first into the office in the morning and he is never in bed before midnight. He works seven days a week and last year took just seven days' holiday. He has, as he puts it himself, no hobbies.

"I don't swim, I don't play golf. I don't like to travel any more. I've been in every country, met everybody I want to meet, seen everything I want to see. My life is perfect. I can have everything I want. I only want one thing – to continue to work."

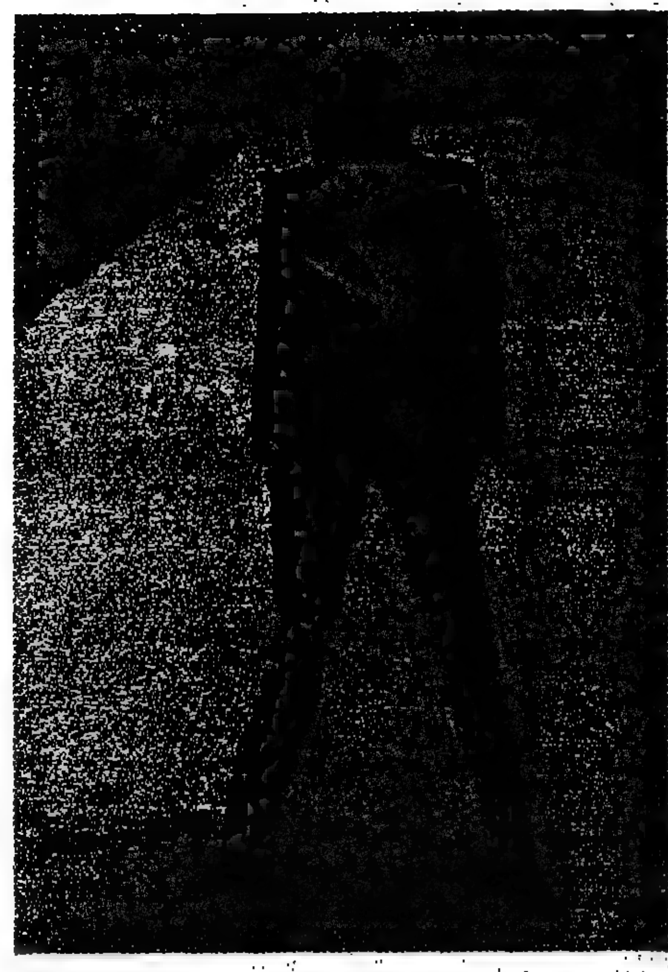
Rumour has it that what he really longs for is the accolade of King of Couture, a title that still eludes him. Today his standing as a businessman-entrepreneur far outweighs his reputation as a designer. The Cardin name may no longer have the magic that once adhered to Balenciaga and that *today attaches to St. Laurent* and Karl Lagerfeld. But when it comes to the art of the deal – then he is a nonpareil.

■ *The exhibition – Pierre Cardin: Past, Present, Future* – starts at the Victoria & Albert Museum, South Kensington, London SW7 on October 10 and runs until January 6 1991.

■ Pierre Cardin's boutique line can be seen and bought at 20, Old Bond Street, London W1. Men's suits range between about £400 and £600; womens between £500 and £800.

From this season's haute couture collection – the Cardin love of strong, dramatic shapes can be seen in this Kimono-like cape in red and black wool

1977 and Cardin gives modern man an alternative to the pinstriped suit – sculptured jersey, cropped trousers, zips and jackets without collars or lapels



1966 and Cardin gives women the trouser suit – all strong sculptural lines and full of androgynous appeal

A longer fair for Chelsea

A colourful hand-painted vase by Paul Jackson, who specialises in hand-thrown domestic ceramic-ware. His work is increasingly sought-after by knowledgeable collectors (fans include Prince Charles) and prices range from £25 for a mug to £350 for large domestic pieces. He also has a marvellously decorative dinner service on display, and will be exhibiting during week one

THE CHELSEA Crafts Fair is here again and those readers who like to make an annual pilgrimage to see what our best craftspeople are up to – and stock up on early Christmas presents at the same time – might like to make a note of the dates.

This year the crafts fair is on for two weeks, although it will NOT be open on the intervening Sunday. The first week starts this Monday and runs to Saturday October 13 while the second week, during which a different set of craftspeople moves in, runs from Monday October 15 to Saturday October 20. It will, as always, be at The Chelsea Town Hall, King's Road, London SW3, from 10 am to 8 pm, showing the usual mix of ceramics, wood, glass, textiles, stained glass, jewellery, toys et al.

The work photographed here gives some idea of the sort of goodies on show. There's always a very high standard of workmanship and, of course, the real charm of the event is the chance it gives to see the work emerging from small workshops all over the UK and often to buy something unique directly from the maker. The entrance fee is £5.00 for a double ticket (that is for the two weeks); £3.00 for a single visit.

■ Anybody over in Orange County, California, might like to know that this year, as part of the Festival of Britain, a Chelsea-style crafts fair will be held at Costa Mesa from October 13-21.

L.v.d.P

Table glass from Hothouse, a glass workshop run by Anthony Wassell, Malcolm Sutcliffe and Paul Barcroft. Only 24 per cent lead crystal glass is used and the techniques include hand-blasting and acid-polishing. Prices range from £30 to £1,000. Hothouse work will be exhibited during week two

A handy bag, in miniature

I THINK it was Chanel that started the fashion for the tiny handbag that you clipped to one's waist – an almost exact replica of the bigger versions; quilting, double CC logo, chain handle and all. All last winter they were to be seen clipped to the chicest, slimmest waists.

This winter Launer, handbag maker to the Queen, has produced a *miniature* version of its own. NOT, clearly, designed to take anything much more than a fine lawn handkerchief, a key and some small change, they are for those who are whisked around by limousine and are planning to do nothing more arduous than a little opera, restaurant or theatre-going. Beautifully-made, all finest leather and exquisite finish, including suede linings, there are two sizes: 2½ in by 2½ in (£125) and 3 in by 2¾ in (£170). Launer is the name to ask for and they can be found in most good department stores.

■ *If you like designer labels* but can't afford designer prices, now is your chance to pick up a posh label at a knockdown price. In London this Monday and Tuesday the would-be fashionable will be able to pick up a Jasper Conran, a Burberry, an Edina Ronay or a Helen Storey, a Kay Cosserat or a Salmon & Green at a fraction of the retail price.

The sale includes something for everybody, from rompers to dinner jackets, from ruffled little After Six numbers to sporty tracksuits. The entrance fee of £5 and the profits all go to help a worthwhile charity, Birthright, which funds research for healthier babies and healthier women. The sale starts at 10 am and goes on until 9 pm and is being held at the Royal College of Obstetricians and Gynaecologists in Sussex Place, Regent's Park, London NW1.

L.v.d.P

MOTORING

Foreign firsts lead to a French loss of face

***Stuart Marshall** reports on how the Paris motor show was upstaged*

BEING UPSTAGED by Britain was bad enough. For the French to have to concede that one of the star turns at the Paris Mondial de l'Automobile was a Japanese car was doubly painful. And seeing it presented at an international media thrash directly under the Eiffel Tower turned the knife in the wound.

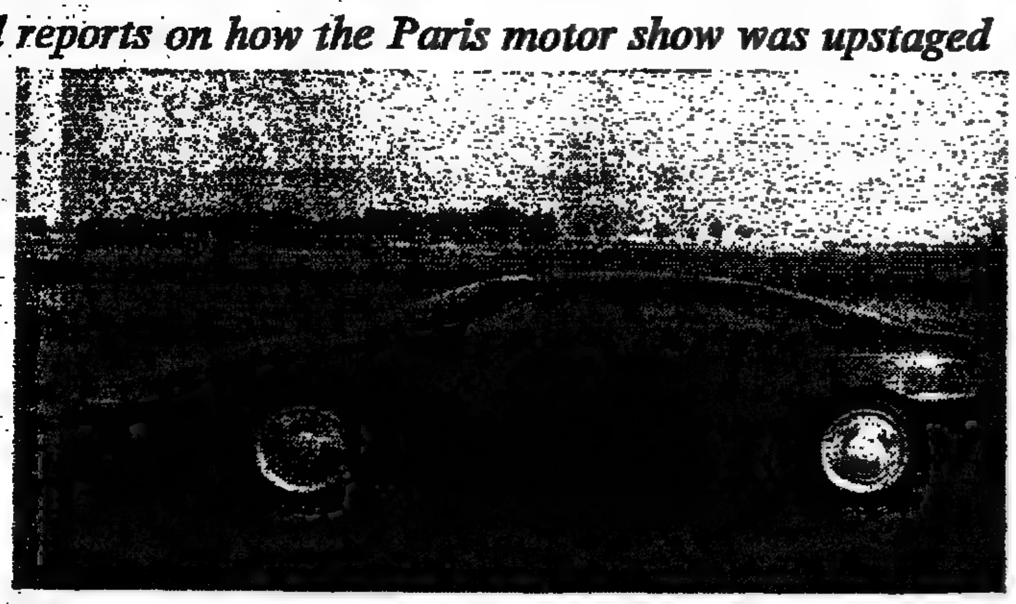
The French were upstaged because the UK show is held normally at the National Exhibition Centre, Birmingham, in mid-October in the shadow of the Paris salon. This year, it was brought forward by more than a month.

As a result, an unusually large number of new cars made their first appearance at Birmingham. The Paris Show has had to be content with the European debut of an up-market Mitsubishi; the unveiling of Citroen and Renault cars of the future; and a display celebrating Peugeot's centenary.

The Mitsubishi Sigma is almost an identical twin of the Diamante that was first seen at the Tokyo Show last November. Sigma is smaller than the Toyota-built Lexus LS400, which is doing no good at all to sales of large European luxury cars in the US. Sigma is aimed at the likes of the BMW 530 and 535 rather than the BMW 7-Series, Mercedes S-Class and Jaguar XJ6 at which Lexus has been targeted.

Sigma is based on a concept car called HSR-II which was shown at Tokyo two years earlier. The Japanese have a disconcerting habit of producing concept cars that seem impossibly ahead of their time and yet, two years later, appear, little changed, in the showrooms.

Although Sigma is making its European debut in Paris and will not be available in Britain until next March, the Diamante has been on sale in Japan for several months. In Japan, Diamante has four-wheel drive but the Sigma is front wheel driven. A sophisticated traction control system is claimed to eliminate loss of tyre grip due to excess power. It has four-wheel steering, 4-speed automatic transmission and anti-lock brakes.



Glamour from France: Citroen's XM-based Activa 2 has suspension that lets it lean towards on bends. However, there are no plans to put it in production.

The engine is a 3-litre, 205 horsepower, 24-valve V6 said by Mitsubishi to "spin into the red zone of the tachometer without labouring". Air conditioning is standard; so is the kind of leather and wood veneer interior once thought of as traditionally English but now being adopted by makers of posh cars everywhere.

The UK price is likely to be just under £30,000. That compares with a little less than £18,000 for the current Mitsubishi flagship, the 4-cylinder, 2-litre Galant GTi coupe, which has 4WD and 4WS. A lower specification, cheaper Sigma with a 177 horsepower engine could also come to Britain.

> 'There is an increasing official emphasis in France on cars that will make driving safer'

Sigma has clean, European looks, with very little brightwork. The front end is deeply spoilered and the body is wedge-shaped, with four large doors and a roomy boot. It will never be a big seller, but its arrival in Europe next year will not best please producers of quality sporting saloons who have got used to having the market all to themselves.

Citroen's Activa 2 is called a research prototype and Citroen disclaims any intention of putting it into production. It is a development of Activa 1, shown at Paris two years ago. Among other things, the first Activa had an electronically controlled suspension used in simpler form in the XM, which went on to become 1990 Car of the Year.

One must believe Citroen when it says Activa 2 will never go on sale. But a look under its beautiful and highly aerodynamic 2-door, 4-seat body shows that mechanically, it is almost pure XM, with the same 3-litre, 24-valve V6 engine as the top XM model. The suspension, though, is even more advanced. It includes an active anti-roll system to make the car corner completely flat, or even lean into a bend, which will maximise comfort and roadholding. I would take no bets against this being standard equipment on up-market XMs by the mid-1990s at the latest.

Activa 2 drives all four wheels through a 4-speed automatic transmission and has four-wheel steering. These features will take longer to filter through to volume production Citroen cars.

However, there is an increasing official emphasis in France on cars that will make driving safer, not be capable of ever higher speeds. Cars are no longer advertised with claims of maximum speeds wildly in excess of the 81 mph (130 kmh) autoroute limit.

Compulsory future fitment of governors limiting top speed to 100 mph (161 kmh) has been spoken of in government circles. The French Minister of the Environment, M. Brice Lalonde, has been talking tough. *Figaro* quoted him recently as threatening to ban imports of the highest-powered German cars. The argument is that such cars – like the obviously very rapid 5-litre V8 engined version of the 300 saloon that Mercedes chose to unveil at Paris – only exist because the German government won't put a speed limit on the autobahn.

There is also talk of reducing the 130 kmh/81 mph autoroute speed limit – it already goes down to 110 kmh/68 mph in wet weather – or enforcing the current limit more rigorously. Even now, as many visiting British drivers have found, speeding on the autoroute can be very expensive, with fines of over £100 demanded on the spot.

Not to be taken too seriously? Renault's 2-litre mid-engined Laguna roadster prototype has no roof. A sliding cover keeps the seats dry – but only when it is parked.

High tech from Japan: The Mitsubishi Sigma has traction control, four wheel steering and automatic transmission as standard. It reaches Britain next spring.

At the moment, British drivers cannot lose their licences for serious speeding in France but I suppose it is only a matter of time before they might. In general, traffic on the autoroutes (though not the north-south A1 and A6) is much lighter than on British motorways but the temptation to speed is better resisted.

If you must have a go, remember that one is not safe anywhere but that the last couple of kilometres before a *payage* are the real danger areas. That is where the police have installed speed detectors under the road surface or, in the case of the westbound A26, where they lurk out of sight with radar at a point where Calais clock tower is almost in sight.

To turn to more agreeable matters, Renault has little new to show at Paris except a 16 valve, high performance Chamade and a variable damping system on the top-of-the-range 25 but the company has unveiled Laguna, a prototype for a futuristic mid-engined 2-seat roadster.

Laguna has a modified, 210 horsepower version of the 2-litre turbocharged engine used in the fastest and sportiest Renault 21 saloon. The body panels are of super-strong composite materials. A concealed bar pops up instantly to protect driver and passenger when crash sensors detect a rollover may be imminent, just as it does in a Mercedes SL. It looks exciting, but is more of an attention getter than a serious project.

A 605 saloon with a non-turbocharged version of the first three-valves-per-cylinder diesel engine to be used in a production car is shown by Peugeot. It promises to be a volume seller in France, where more than one new car in three is now a diesel.

After years of hearing little but gloom and doom about our motor industry, it is good to report that British car exports to France have increased significantly – and the trend is still upwards. Few British people probably realise that only two plants make Peugeot's very popular mid-sized 405 and that one of them is at Ryton, just outside Coventry.

One-third of all the 405s sold in France are made in Britain. This year, the Ryton plant will export about 65,000 to world markets, Japan included. French motorists bought more than 14,000 Rover Metros last year and more will be sold there this year.

The Mini is doing well, too. Many of the 8,200 exported to France last year were bought by Parisians. "It's the only car to have if you want to move around Paris freely and be able to park almost anywhere," one satisfied Mini owner explained.

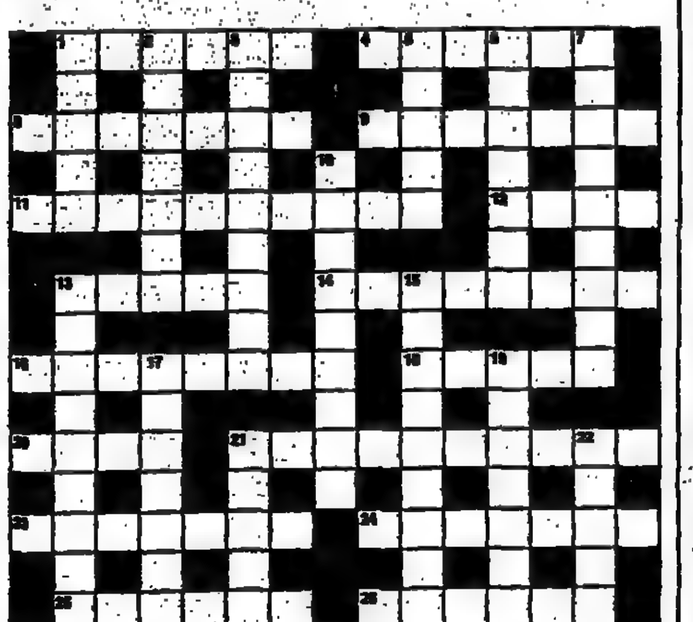
Rover also has its eye on the French diesel executive market. The new 825td, with a similar turbocharged engine to that used in the Range Rover, is on display. Last year, more than 40 per cent of the 4,640 Rover Montegos sold in France were diesels; this year sales are 15 per cent higher and the diesel proportion is 70 per cent.

■ *The Paris Motor Show at the Parc des Expositions is open to the public from 10 am to 10 pm until Sunday October 14. Admission is FFr35.*

CROSSWORD

No. 7,360 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday October 17, marked Crossword 7,360 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 20.



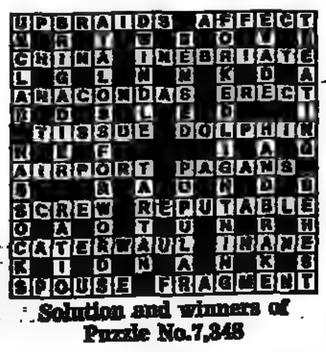
ACROSS

1 Head covering for politician in trickery (6)
4 Head covering for a commercial upset me (6)
8 Keeping gold in coach? (7)
9 100 eggs backed by a tonic and fruit (7)
11 Having a third party afterwards in case (10)
12 Part of the proletariat (4)
13 Sentries with bands? (5)
14 Motorway accident outside hospital causes confusion (9)
16 Aerial manoeuvre producing panic from plaintiffs if lost (4,4)
18 Snail, male, 50, may be doubled (5)
20 Frank has nothing to write (4)
21 Premier musician wakes pride in disorder (10)
23 Give information for what sounds like a reward? (5)
24 Without transport helps small creatures (7)
25 Far off being concerned with small speck (6)
26 Something radiant causes black look (6)

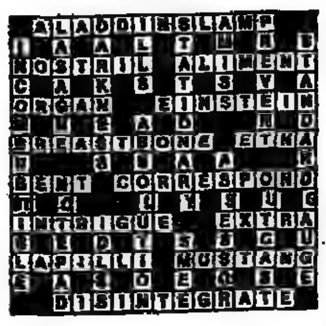
DOWN

1 Tide in river or lake, excellent if first (5)
2 Trading place hired to bird on shield (7)
3 Illuminating vessel supplies cat food, a joint (9)
5 Part of church left with part of body (5)
6 Breaking code with spirit and propriety (7)
7 Old county, neither male nor female? (9)
10 Walk crookedly and rope me in (8)
13 Fats without bread and milk, sizeable stuff (9)
15 Pal with riches turning round (9)
17 Fit of temper by model with cavity in bone (7)
19 Eye rhyme for Philistine (7)
21 Put forward one in job (5)
22 Hungarian king raised school of acting (5)

Solution to Puzzle No.7,359



Solution and winners of Puzzle No.7,348



Miss E. Atkinson, Burnley, Lancs; B.W. Bone, Southfield, Gloucestershire; Mrs P. Cole, London SE2; Mrs M. Keen, Ickenham, Middlesex; T. Wheatcroft, London SW3.

Country View

A hero among hunters

CAPTAIN R.E. Wallace is Britain's No. 1 foxhunter. In 1970 he succeeded Lord Halifax as chairman of the Masters of Foxhounds' Association, the governing body of fox-hunting, membership of which is obligatory for all recognised packs.

Fox-hunting must be carried out in strict accordance with the rules of the Association. Wallace has the necessary political acumen and venetical skills in full measure; indeed, so much so that naming a possible successor to him appears to leave the fox-hunting world at a loss.

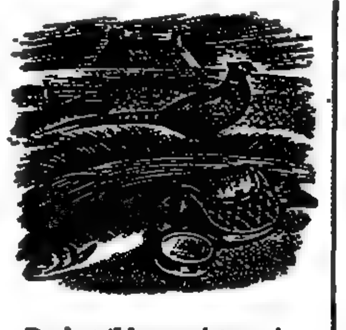
Ronnie Wallace's single-minded addiction to hunting is certainly remarkable. The span of his active career as huntsman – that is to say carrying the horn, as distinct from being a mere follower – covers, to date, the period 1936 to 1990.

The forthcoming hunting season sees him continuing as joint master of the Exmoor Hounds, sharing the four days per week duties of huntsman with his kennel-huntsman, Tony Wright. The fact that Wright left his position as first whipper-in to the Quorn Hunt in Leicestershire, the fastest and most prestigious hunt in the country, to go to the non-jumping country of Exmoor is some indication of Wallace's reputation.

For two seasons from 1936 Ronnie Wallace was master and huntsman of the Eton Beagles. His brilliance as a huntsman attracted notice when, in his second season with the Eton Beagles, and hunting in 13 different counties, he accounted for a record tally of 76 brace of hares.

Going on to Oxford, he hunted the Christchurch Beagles. Military training before wartime active service gave him the opportunity to form and hunt his own pack of beagles. The war over, he took the mastership of the Ludlow Hunt and combined this with hunting the nearby Teme Valley Foxhounds. In 1948 he moved to the Cotswold Hunt where he remained until taking the Heythrop Hounds in 1952. He stayed with the Heythrop for 25 seasons. To fill in time usefully, he also hunted the Hawkstone Otterhounds for a number of seasons.

His Heythrop regime involved his hunting hounds five days a week. Only Thursday was a non-hunting day, and even on Thursdays the occasional bye-day was added to the programme. To Wallace a day's hunting is not finished until the light goes. Hunting at least five days each week, with himself and his two whippers-in requiring two horses each per day, the bustle of activity at the Heythrop kennels was unparalleled. Chipping Norton became a hunting Mecca. A full-time farrier was employed to keep a squadron of horses on the active list.



During this quarter century Wallace bred a pack of hounds of international repute. The fox population of Oxfordshire and Gloucestershire must have heaved a sigh of relief when the word got round that "The Captain" was moving to Exmoor.

When asked by a television interviewer to what he attributed his ability to maintain this level of activity, he replied laconically: "Lucky enough to have a strong constitution." More recently, faced with the need to have his hip joints replaced, he opted to have both operated on at the same time to ensure the least interference with his hunting.

Michael Stourton

CHESS

GATA KAMSKY'S success in the Interpolis Insurance tournament at Tilburg, reported here last week, has brought a new talent on the world scene and changed the perception of likely future challengers to Gary Kasparov.

The 16-year-old ex-Soviet, who now represents the US, tied for first prize with Vassily Ivanchuk, half a point ahead of Boris Gelfand and a point in front of Nigel Short. These three are the two established young pretenders from the Soviet Union and Kasparov's most likely Western-born rival.

Kamsky began with 5½/7, but his only win in the second half of the event came when Ivanchuk rushed his moves and was beaten after poor opening play. Meanwhile Gelfand, who lost his first two games, and Short, who started with 3/6, finished strongly. Fine at Avro 1938 and Boleslavsky at Budapest 1950 also began double round tournaments brilliantly yet were caught at the post. There remains an impression that Kamsky's older rivals underestimated him at the start, while the teenager, who works at chess 14 hours a day, had prepared his openings deeply. What proved, by hindsight, one of the key games, occurred in the first round. Kamsky defeated the world no. 3, winner of the Manila interzonal, and the player designated by Kasparov as his most likely 1993 opponent.

White: G. Kamsky (US). Black: B. Gelfand (USSR).

Sicilian Defence (Tilburg 1990).

1 e4 c5 2 Nf3 d6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 a6 6 g3.

A surprise in the fashionable Najdorf variation 5 ... a6. There are plenty of convinced advocates of 6 Be2, 6 f4, 6 Be3, 6 Bc4 or 6 Bg5, and they almost all agree that 6 g3 is harmless, its drawback shown in the era of Tal and Fischer 30 years ago.

6 ... e5 7 Nde2 Be7 8 Bg2 b5 9 O-O Nbd7 10 h3 Bb7 11 g4 b4.

The first sign that Gelfand is over-pressing for a black initiative. Simply O-O followed by Nc5 gives a comfortable game.

12 Nd5 Nxd5 13 exd5 a5?

Asking for trouble. Black could still safely castle, but Gelfand probably missed White's 16th and thought he was gaining control of the dark squares.

14 Ng3 g6 15 Bh6 Bg5 16 Ne4!

A rude shock for Black, who loses a pawn with a worse position. Maybe he should admit his mistake by 16 ... Be7, although 17 f4 gives White a clear initiative.

16 ... Bxh6 17 Nxd6+ Kf8 18 Nxb7 Qb6 19 d6 Bf4 20 c4!

Given his chance, Kamsky plays forcefully. Here 20 ... bxc3 en passant 21 bxc3 would open the b file for White's rook, while in the game White has united passed pawns. Black's king is exposed and his rooks disorganised, so there is already no real defence.

20 ... Rb8 21 Qd5 Nf6 22 Qf3 g5 23 e5 Qa6 24 Rfe1 h5 25 gxh5 Rxh5 26 Qe2!

White is winning the middle game but can also offer a queen exchange. After 26 ... Qxe2 27 Rxe2 the advancing central pawns would soon cost Black at least a piece.

26 ... Qa7 27 d7 e4 28 Rxe4 Rxh3 29 Bg2 Rh2 30 d8Q+ Rxd8 31 Qe7+ Kg7 32 Nxd8 Resigns.

Although Gelfand has the reputation of a bookish, classical player it is evident that occasionally he can go wildly off the rails in a manner which Karpov and Kasparov hardly ever did in their youth. Play over Gelfand's loss to Nigel Short and you see similar mistaken strategy to the above game: white fails to castle, charges forward with his K-side pawns at moves 6-7, and is overrun by Short's harmoniously organised army. And again Gelfand's rooks cut a particularly sorry figure.

White: B. Gelfand (USSR). Black: N. Short (UK).

Dutch Defence (Tilburg 1990).

1 d4 e6 2 c4 f5 3 Nc3 Nf6 4 e3 d5 5 Bd3 c6 6 h3 Bd6 7 g4 O-O 8 Qc2 Na6 9 a3 dxc4 10 Bxc4 b5 11 Be2 b4 12 Na4 bxa3 13 bxa3 Ne4 14 Nf3 Qa5+ 15 Kf1 Nc7 16 Nb2 Ba6 17 Nc4 Qd5 18 Rg1 fxg4 19 Rxg4 Ng3+! 20 Rxg3 Bxg3 21 Kg2 Bh4 22 e4 Qh5 23 Nxh4 Qxh4 24 Be3 Rf6 25 Rh1 Raf8 26 Rh2 Rxf2+ 27 Bxf2 Qxf2+ 28 Kh1 Qe1+ 29 Resigns. If 29 Kg2 Rf2+ wins the house.

PROBLEM No. 841

BLACK 11 MEN

WHITE 12 MEN

Vasilios Kotronias (Greece) v. Daniel King (UK), Watson, Farley & Williams challenge, New York 1990. Black (to move) is a pawn down and under pressure from White's threats of Nxe7+ followed by Bd6 or of N or Bxg7. So he decided to restore material equality and attack a white rook by 1 ... Bxh4. What *happened next?*

Kotronias is Greece's first grandmaster but is little known internationally. The WF&W event was staged at the law firm's recently opened offices in Madison Avenue, and the Greek entry looked just a graceful acknowledgment that WF&W also has an Athens office. But Kotronias proved the revelation of the tournament, finishing in second place to the great Dane, Bent Larsen, and scuppering British hopes by wins from Hodgson and King and a draw with Speelman.

Solution Page XIII

Leonard Barden

BRIDGE

My first hand comes from championship *teams-of-four*:

```
              N
           ♠ Q J 8 5 3
           ♥ K 10 7
           ♦ K 6 2
           ♣ J 6
     W                    E
♠ A K                ♠ 7 6 4 2
♥ A Q J 6            ♥ 4 3 2
♦ 3                  ♦ Q 9 7 4
♣ 10 9 6 5 3 2       ♣ K 7
              S
           ♠ 10 9
           ♥ 9 8 5
           ♦ A J 10 8 5
           ♣ A Q 4
```

At love all West dealt and opened with one club, North overcalled with one spade East passed, and South bid two diamonds. West's rebid of two hearts was passed to South, who said two spades, West tried again with three clubs, and North's three diamonds concluded the auction.

West led the club 10 to knave, king, and ace, and South returned the spade nine. Winning with his king, West switched to the heart ace, then led the queen, which lost to dummy's king. A spade was led to 10 and ace, and West cashed his knave of hearts. West now led his last heart, and this was ruffed with the diamond six, on which East rightly threw his last club. South underruffed with the diamond five, a brilliant play. The diamond queen was now successfully finessed, and declarer crossed to the diamond king, West showing out, as expected. The queen and knave of spades were cashed, on which South's two clubs were discarded. Another spade was led, and East was trapped. Whichever trump he played would be covered by the declarer – a perfect trump coup.

We turn to rubber bridge:

```
              N
           ♠ J 8 3
           ♥ A 10 7 6 2
           ♦ A J 7
           ♣ K 4
     W                    E
♠ 7 6 5              ♠ 10 9 2
♥ Q 5 3              ♥ –
♦ 6 3 2              ♦ K 9 8 5 4
♣ Q J 9 8            ♣ 10 6 5 3 2
              S
           ♠ A K Q 4
           ♥ K J 9 8 4
           ♦ Q 10
           ♣ A 7
```

When West led the club queen, South said, "We may have missed seven." Taking with his ace, he led a heart to the ace, and East showed out. He made the heart king, then finessed the diamond queen. East had the king, and the slam was lost.

"Not very lucky," said South.

"Not very well played," said North. "You should have played the heart king, not the ace. East shows out, and you pick up West's queen."

"Hindsight," snapped South.

"Not at all," answered North. "The play of the heart king is a perfect safety play. If East is void, you can catch West's queen; if East has three trumps, you cash heart ace and club king, then run off your spades. On the fourth spade East will discard, but he cannot escape the endplay. With the elimination complete, you throw him in with a heart, and he must lead a diamond into your split tenace, or concede a ruff discard."

South mumbled an apology.

E.P.C. Cotter

SPORT

In for a long stretch?

ACTING ON a tip from a fan, the guardians of world soccer are examining goalposts. After a summer sifting the evidence, Fifa, the sport's governing body, has concluded that the football at the World Cup in Italy failed to entertain – a very serious offence in the US where the finals of the competition will be held in 1994 – and that goals are disappearing.

Fifa is convinced the two problems are related and that rather than punish the obvious culprits – players, referees and the vast number of officials responsible for administering the sport worldwide – it will make an example of an inanimate object. It looks as if the goalmouth could be stretched substantially.

Guido Tognoni, the Fifa press officer, says the idea of increasing the height and width of the goals comes from letters from fans. But that is perhaps a little disingenuous. The idea of enlarging the goals originated in the US a decade-and-a-half ago when the North American Soccer League was struggling to attract fans to its low-scoring games. At the time, Fifa's reaction was that the fans would have to learn that goal-less draws could be fun. But now the fans seem to have lost patience with scoreless soccer.

It was clear during the World Cup that something was going seriously wrong. The average number of goals fell to 2.21 per game – the lowest ever. Part of the excitement of soccer comes from the comparative rarity of goals and the suddenness with which they arrive. But in Italy, and increasingly in top professional games, tension is dissipated by teams intent on defence. Teams have become so adept at defending that, when they choose, they can set out to prevent opponents scoring, knowing that they have a fairly good chance of doing so over 90 minutes, or even two hours. The tactics are simple: play five or six defenders, never attack in numbers, kick, trip or push any attacker in a threatening position and slow the game whenever possible. The result is a dreadful spectacle.

Tognoni says Fifa has identified a lack of goals as the problem – rather than a symptom. Make the space between the posts wider (and higher) and more goals will go in. End of problem. What has happened, he argues, is that in the 124 years since the English standardised the dimensions of the goal, footballers have grown larger. Goalkeepers over 6ft are now the norm where once they were a rarity, and can reach shots and crosses which would have been out of reach of the pygmies of the past. This induces a sense of futility in attackers, who do not even bother to shoot from 20 yards or more.

It is not just goalies who have grown bigger, but defenders, too. They appear to be more numerous. A player who is allowed to face the goal with the ball at his feet is unlikely to get much of a sight of it between the hulking behemoths of the back five, and knows that if he has the temerity to attempt a shot from outside the penalty area he is likely to be kicked 6ft in the air.

The punishments for these sorts of assaults are no longer a deterrent. Only three goals were scored direct from free kicks in the World Cup finals, a very low number. Certainly making the goals bigger would result in more goals, partly by encouraging defenders to commit fewer fouls near the penalty area. But this avoids the question of why teams such as Argentina, who trusted their attacking skills when they won the World Cup in 1978 and 1986, chose to cower in defence in 1990, apparently happy to take their chances on the lottery of the penalty shoot-out. One reason is that because of injury Diego Maradona, their top scorer and inspiration in Mexico, was well below his best, and Jorge Valdano, their second-highest scorer in Mexico, was out altogether. Quite simply, they did not have the players to attack with.

The new-found enthusiasm for moving the goalposts is perhaps an acknowledgement that Fifa cannot protect the players. At the start of the World Cup finals they ordered referees to expel players for tackles from behind or for fouls that deprived attackers of goal-scoring opportunities.

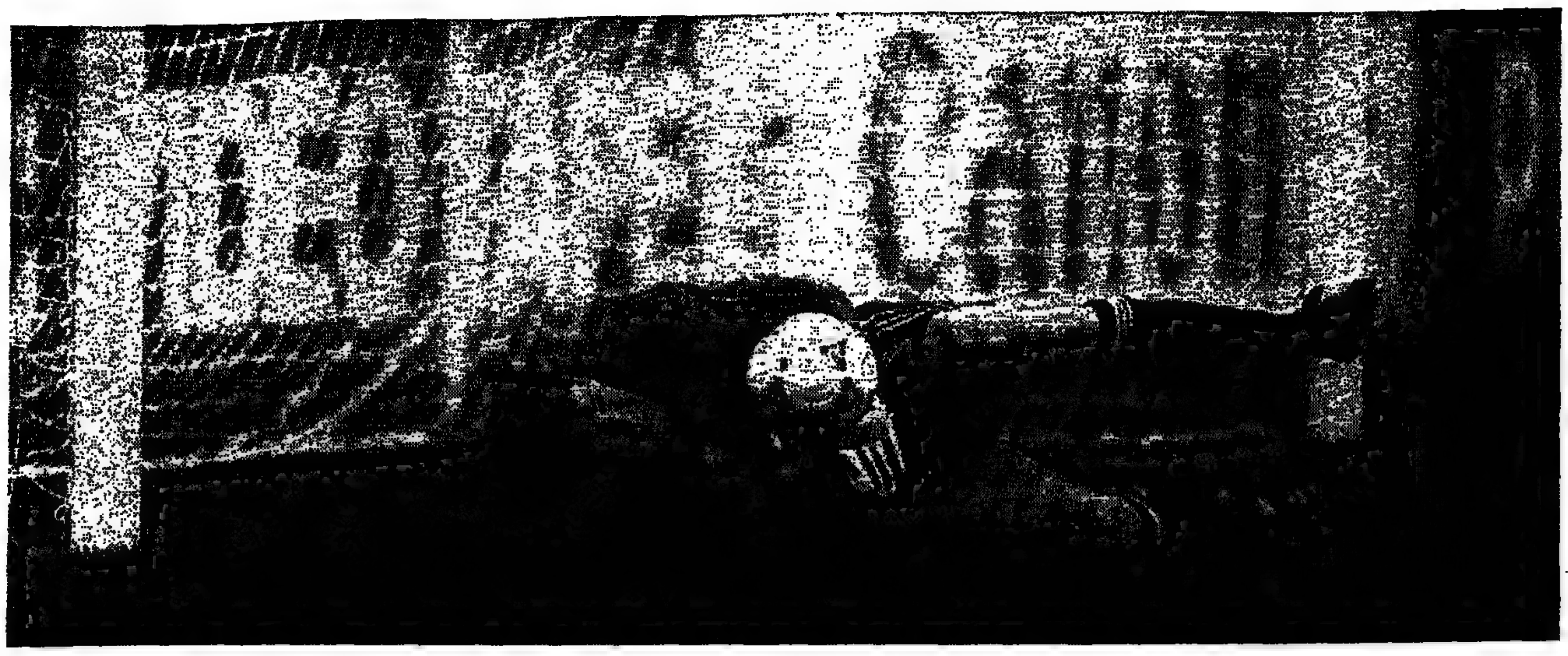
The instruction remains in force, but it is clear that referees in the English League are not following it. Now Fifa says it will not make any changes in the rules which put more of an onus on referees.

One problem Fifa does acknowledge is that any change in its rules necessarily effects all levels of football around the world. The vast majority of footballers play in amateur leagues where goalies are still, generally, short, fat and unathletic and already have enough problems keeping the ball out of the goal.

Enlarging the goalposts may be a poor substitute for protecting footballers and eradicating foul play. The idea has attracted immediate and ferocious criticism led by Michel Platini, the former French international, and professional coaches. They argue that Fifa is pandering to the Americans but apart from that their objections are little more than instinctive conservatism. True, the idea may have its roots in a cynical attempt to trick the game up for an American audience. But then the Americans, even if they do not know much about football, do know a thing or two about entertainment.

In Newcastle, in north east England, traditionally the country's most fertile breeding ground of soccer talent, the children still kick soccer balls around the terraced streets as they have for over a century, imitating the feats of their heroes. But since the World Cup, Jack, Jimmy and Mohammed have cut out boring stuff and go straight to a penalty shoot-out. If moving the goalposts is the only way to encourage attacking play, then it is better than nothing. Otherwise the future of the game is dark.

Peter Berlin



Net gain: Bonner the Republic of Ireland goalkeeper saves from Timofte of Romania in a World Cup penalty shoot-out, If Fifa has its way the odds would be tipped against goalkeepers

Tennis/**John Barrett**

Young talent slips the net

IN CASE you missed it, the draw for next year's Davis Cup competition was conducted last Wednesday in London. For the record, Britain has a bye in the Euro-African Zone and will play either Poland or Romania (whom we beat this year in the first round) to decide who will go forward to the promotion round to challenge for a place in the 1992 world group. It is all very much the second division.

The sad truth is that interest in British tennis, among sports editors as well as the public, has declined in direct proportion to the failure of our players to make an impact on the world scene. In the gloomy debate that has inevitably followed Britain's comprehensive defeat by the French a couple of weeks ago, one or two critics have demanded the head of the national team manager, Warren Jacques. But no-one, it seems, has been prepared to lay the blame where it belongs – on the system itself.

National training does not work. It never has worked and never will work. It fails because the motivation is missing. Competition is what drives standards upwards. Once a player is put on a national squad he believes he has arrived and stops putting in his maximum effort. It is the striving for individual recognition that motivates. In Britain we lack the intense competitive infrastructure at club or county level that other sports enjoy.

Tennis on the Continent thrives because there is a competitive structure. In all the main tennis-playing countries there is a fiercely competitive national inter-club league. It is organised at many levels so that competition to gain a place in your club's first team is intense. A limited number of foreign players can be included so that the richest clubs employ leading players on short contracts. Even someone like Fred Stolle, the popular Australian now in his 50s, still competes for a German club.

Above that is an international competition between the champion clubs of each nation. The prestige associated with being the club champion of Europe is considerable. In the US it is the universities, with their generous sports scholarships, that provide the competitive environment. At each establishment there is competition among the coaches – first, to sign the most promising young players (there is a sophisticated talent-spotting system); second, to *win*.

The facilities at most of the colleges are superb – excellent courts, modern training equipment, expert coaching and a competitive environment.

After a season of inter-college matches there are the national team and individual tournaments. You can be sure that anyone who wins one of the coveted National Collegiate Athletic Association titles (like Tony Trabert, Alex Olmedo, Arthur Ashe, Stan Smith, Jimmy Connors and John McEnroe all did as a prelude to winning Wimbledon) is a match-hardened competitor.

It is true that some of the best young Americans, such as Agassi, Chang, Courier and Sampras among the men and Jennifer Capriati and Mary Joe Fernandez on the women's side, are turning professional much younger and missing college. But behind them there is still a steady stream of talented young men and women from the university production line snapping at their heels.

What can we do in Britain? We can hardly hope to persuade our universities to follow the American pattern. But we can scrap national training. In its place we should establish 8 to twelve well-equipped regional training centres (like the new Nottingham centre), each with the court surfaces that are used internationally – European clay, American hard and indoor carpet courts – and an experienced international coach.

With the help of the local counties, he or she would actively search for talented ball players and promote competitions to throw up winners. They would be offered free coaching. The same free facilities would also be offered to any youngsters and their personal coaches once they had won a local junior tournament. Regular inter-regional competitions would be held for all age groups and the winners selected for national teams travelling to international competitions.

This surely is the true rôle of a national association, to select teams from the nationwide talent available and to send them on international assignments. Individuals who had proved their worth by winning inter-regional tournaments would also be encouraged to enter tournaments abroad, with financial help for their own coaches to travel with them.

We must only support and encourage the self-starters. That is how Bjorn Borg developed. He lived at Sodertalge, a small manufacturing town south-west of Stockholm. When he was 10 he was spotted by my old friend Percy Rosberg, who coached at Stockholm's Salk club.

As Bjorn once told me: "I used to go every day after school, an hour-and-a-half on the train, every day for five years, because I was crazy about the game. My parents would drive to pick me up each night but I would not be home before 10 o'clock. They were marvellous – supportive but never interfering. If they had told me when to practise or train I'd probably have given up. I was very stubborn."

This is the sort of man who will succeed. Borg then went on short overseas trips with Swedish junior teams. Lennart Bergelin was the manager and I remember his desperate efforts each day to drag Bjorn off the practice court in time to get the whole group back to the hotel in time for the evening meal.

It has been the same with Boris Becker and Steffi Graf, neither of whom is the product of a national training scheme, any more than Fred Perry was or, for that matter, Angela Mortimer, Ann Jones or Virginia Wade, our only Wimbledon champions since. They were all self-starters who had help and guidance from local coaches and received LTA help only when they had earned team selection. That is the way it should be.

Baseball

Knockout nasty boys

BASEBALL lurched into its second season on Thursday night when the Pittsburgh Pirates beat the Reds 4-3 in Cincinnati in the opening game of the best-of-seven National League play-offs, writes Peter Berlin. Only 24 hours earlier the two teams had each lost the final game of their 162-game regular season, secure in the knowledge that they had survived late challenges and made it into the World Series playoffs. Both teams started the season powerfully, wobbled in mid-summer and then steadied at the end to make the play-offs with something to spare.

The Reds have enjoyed the reputation of the National League's great under-achievers. They finished second in their division for four seasons, beaten by less talented but more cohesive teams, before the nightmare of 1989 when their manager, Pete Rose, was at the centre of tax and betting scandals all season.

Under his replacement, Lou Piniella, the team has acquired a hard edge. This is epitomised by the Nasty Boys – Norm Charlton, Rob Dibble and Randy Myers – three relief pitchers who do not mind if they score a strikeout or a knockout as long as they get rid of opposing batters. But the headline-hugging Nasty Boys have rather obscured the talent of the rest of the team, which has all-round strength in depth but few superstars.

Pittsburgh's improvement this season has been much more of a surprise, strengthened by the emergence of hard-hitting outfielder Barry Bonds as one of the league's top sluggers. The club made some sharp trades during the season. They picked up pitcher Zane Smith, who won crucial games as Pittsburgh held off a late challenge from the multi-talented New York Mets, who ultimately disappointed their admirers yet again.

Whoever wins the National League series will expect to meet the reigning champions, the Oakland Athletics. Oakland won the American League at a canter. After last season they lost pitcher Storm Davis and veteran slugger Dave Parker, but the losses made little difference. Bob Welch and Dave Stewart, backed up by Scott Sanderson and reliever Dennis Eckersley, still gave them the best collection of pitchers in the league, and last month they bolstered their already terrifying batting. They persuaded St Louis to part with Willie McGee, who still finished the season top of the National League batting averages, and acquired Harold Baines from Texas Rangers.

Baines, a right-handed slugger, was picked up in case Oakland had to face the Boston Red Sox and their left-handed ace Roger Clemens in the play-offs. That is how things have turned out in spite of a characteristic late-season collapse by Boston. Boston's patched-up collection of veterans, youngsters and cast-offs won barely more than 50 per cent of their games, but that was just enough to see off Toronto in American League East.

Boston's season waxed and waned according to the health of Clemens' left shoulder. But he will pitch in the opening game of the play-offs against Stewart in Boston tonight. If the play-offs go to seven games he could start three times.

The passionate New England fans have waited 72 years for a World Series victory. If the Red Sox are to stand a chance of overcoming their hoodoo, they must first beat Oakland – and Clemens is the key.

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Property Plus

SECTION III A SPECIAL SUPPLEMENT

Buyers who move the homes market

Just who are first-time buyers? John Brennan reports

FIRST-TIME buyers are not what they used to be. But then they never *were quite what* they appeared to be.

Picture the scene; a young couple stand closely together. They are listening politely to a reassuring grey-haired *man* in a reassuring grey suit. From time to time they look past this sagacious agent-cum-adviser to the open front door of a new house. You will have no difficulty recognising the couple as the first-time buyers of whom myths are made. These are the idealised "young marrieds" — as advertised on TV — who are anxious to get proper independent advice on moving to a home of their own.

Housebuilders dream about such couples. Building societies and banks design most of their mortgage promotion brochures around them. Estate agents love their status at the front end of the housing chain, as net new buyers without property to sell. Financial services groups have invested in one-stop property shopping systems that will impress these first-timers enough to help win their lifelong custom.

First-time buyers turn up in most housing market commentaries. Observers report that they are either boycotting or returning to the market. Like the Duke of York's men they are either being reported as marching up the hill or marching down again; they are rarely inactive.

The question is, who are they? What makes up this body of market-movers whose every action, and whose every anticipated move, so affects lenders and agents, politicians and the media?

A four-year-old and an octogenarian would not fit the populist image of the first-timer. Yet Patricia Farley, of Farley & Co, Old Brompton Road, London, confirms a steady business in sales of prime London *flats* and mews properties to first-time toddlers as parents buy a property to put it in *trust for their children and* rent the space until they are old enough to enjoy the investment.

At the other end of the age *scale some of the 1.5m sitting*-tenant purchases of local authority and new town properties, since the start of the Right to Buy campaign in 1980, *have been to older, even* elderly residents. To complete the age circuit the mortgage-lending figures suggest that a good proportion of the oldest of these first-time homeowners have been financed by children and grandchildren.

On Nationwide Anglia's analysis of loans to former council tenants no less than 24 per cent of purchasers were over 60 years of age. That compares to just 3 per cent of over 60s on the society's loan book who were private sector first-time buyers.

To add to these figures are the estimated 80,000 single homebuyers who have never previously owned a home of their own but who emerge from the divorce courts each year. Another 80,000 or so divorced people re-form households each year with different partners. Those would not come into our first-timer category, they are more realistically grouped with repeat buyers.

A further body of first-timers with a disproportionate influence on the markets for central London and higher priced country homes and estates are foreign and expatriate buyers.

In the rarified market for homes priced above £2.5m or so, international buyers make much of the running.

In Mayfair, Knightsbridge and Belgravia, in the smarter sections of Kensington and Chelsea and in the country estate market within easy reach of London and its airports, overseas buyers making a first purchase in Britain represent a good proportion of demand. A straw poll of agents dealing in these properties suggests that a rough average of around a fifth of all sales in this market are to purchasers from abroad.

Follow the Underground lines out from London University and you'll find a perhaps surprising active outer suburban demand for cheaper flats from the parents of overseas students who are keen to secure a base for their children. Much the same first-time buying from abroad can be seen in the terraces and back streets of Oxbridge, Edinburgh, Manchester, Bristol, Leeds and other university towns which have a sizeable overseas student population.

With some exceptions it would be fair to say that young adults, the supposedly archetypal first timers, have been the driving force in the housing market for the past few decades. Around 800,000 20-year-olds have been leaving parental homes each year in the 1980s, and a high proportion of those have traditionally paired-up to create the standard housing market estimate of a touch more than 400,000 potential new households. That's an offset to the more than 350,000 home sales as owners die or as homeowners move into residential care.

Add the other first-timers to the total and the net new demand for homes comes to around 200,000 to 240,000 each year. The continuing reduction in the size of the average household in Britain means that annual demand for new homes is not expected to reduce too much in the 1990s. But the importance of the "young marrieds" in the market is set to decline.

A changed age profile means that there will be a sharp reduction in the number of people entering their 20s in Britain in the 1990s. The demographic forecasts suggest that they will be 3.2m 20 to 24 year olds in Britain in 1995 compared with 4.16m in 1985. A middle-ageing population means that the younger first timers are already beginning to lose their position as the prime source of demand at the base of the housing market.

In the meantime, much of the market commentary on the general housing market is still based upon attitude reports about these younger first timers. And it is in the gap between this traditional view of first timers and the more complex reality that most of the apparently contradictory evidence of actual deals in the market occur.

Why, when all the affordability figures show that the average young adult cannot afford the repayments on the loan needed to buy the average-priced house, should there be a slow but steady number of actual sales to new owners at every level of the market?

The answer lies partly in the evident lack of cohesion, and the progressively changing nature of the first time buyers themselves, and increasingly in the injection of cash from outside the household.

Wealthier parents have long been accustomed to being expected to chip in a substantial portion of the cost of their children's first home. In analysing the average price-to-income ratio for its well-above-average home sales, agents Savills worked out that many first timers were buying properties costing five, six or more times their apparent purchasing power.

It is because of the number of exceptions to the average that it is possible to explain a continuing number of first-time purchases of homes in, say, the London Borough of Islington. There, according to the London Research Centre's latest price monitoring: "The majority of employed residents in Islington are unable to buy a property from scratch." So here, thanks to the exceptions, we have a market that does not work in theory but which does work in practice.

The familiar yardsticks of market activity are being eaten away by a growing number of exceptions. However, it is still those younger first timers who get stopped in the street to be surveyed about their attitudes to housing.

1990 has provided a bumper crop of market research and anecdotal evidence gathered from and about housing's youngest buyers.

Research carried out for the Abbey National by the British Market Research Bureau (BMRB) suggests that there are some cracks appearing in younger buyers' confidence about residential property. The survey suggests that 42 per cent of first timers still believe that house prices always go up or that a financial gain can be made. Some 60 per cent of those who had bought for the first time in the past two years still believe that housing is a good investment.

That is an impressive vote of confidence in residential property — but it is far from the near-unanimous vote for bricks and mortar that one could have expected to see three or four years ago.

One agency that ought to have its finger on the pulse of the first-time market, however that body of buyers is made up, is Stern Studios. Stern is a specialist, but it picked a market niche with plenty of elbow-room by focusing all its attention on the sale of studios and smaller flats.

Stern's managing director Tom Trudgian confirms that first-timers are on the sidelines and that some have been switching from window-shoppers to bargain hunters to make scavenger bids.

"They are well aware that prices still have a little way to fall and we are finding them making low offers on as many as 10 properties at a time. If their offers are not accepted they feel they can wait another six months without losing out," he says.

In the meantime, businessmen and companies buying piéd-a-terres for cash, and new landlords buying to rent flats, keep Stern's volume of sales comfortably up.

As for first-timers' reputed confidence in the investment value of housing, Stern's experience suggests that there are a fair number of younger owners who are regretting the day they did make that expensive hop on to the first rung of the housing ladder. "A particularly distressing development since the summer," says Trudgian, "has been the increasing number of cases where the outstanding mortgage is in excess of the falling flat value, and where the owners have not been able to sell and return to renting as they would have wished."

An extra twist to that problem occurs when flats have been bought jointly or hurriedly and the joint owners have parted. Trudgian says: "We have many cases where one has moved out, leaving the remaining joint mortgagees ruefully realising that they are liable for the entire mortgage in default of the other owner."

That's at least one group of first-timers who won't be carrying the "safe as houses" banner into the 1990s.

Family living, at a price

ONE FACTOR that sets London apart *from* other international cities is the continuing availability of full-scale family houses with gardens close to *its commercial centre.*

While apartment living is the norm in New York, Tokyo, Paris and Rome, central Londoners still have a fair supply *of free-standing freehold* homes in their own — even if they be handkerchief-scale — grounds.

The locals have been most active in this family house market over the past year. Andrew McGillivray, of W A Ellis, says: "There is strong interest in top quality houses in the best squares; from £700,000 to around £1.25m it has been the British who are most active. When you get up to that price range people are not relying on another house sale and realistically priced properties have not fallen in the past year. In fact, I would think that we have probably seen prices at that end of the market firm by 10 per cent or so since last year."

Number 4 Edwardes Square, W8 meets the criteria for a prime area family home well enough to be subject to an offer within a few weeks of its *release. Joint agents* John D Wood & Co (071-727-0725) and W A Ellis (071-581-7654) settled on a rather eccentrically specific £1,067,500 asking *price. "I think you could say* that the wit of the owner shows through there," says McGillivray. "He thought £1.1m, we believed that it should be over the million mark and that's what we settled on."

An early 1980s extension, adding around a third to the floor area of the house but still leaving a 60 ft garden at the back, made Number 4 into a five-bedroom house with most of living areas on two floors.

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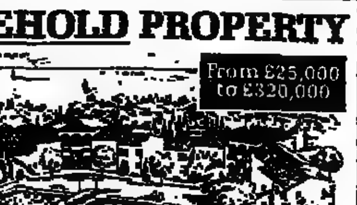

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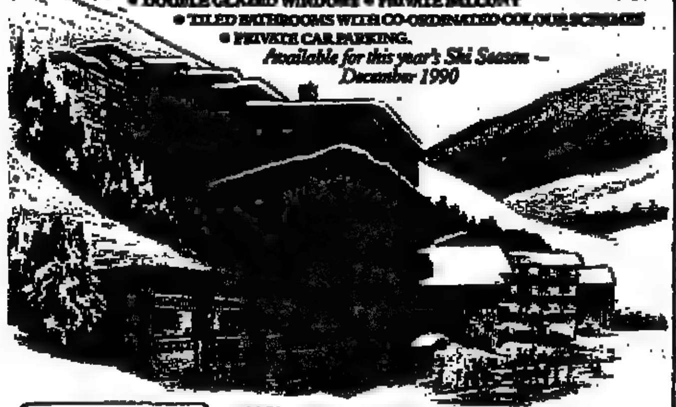

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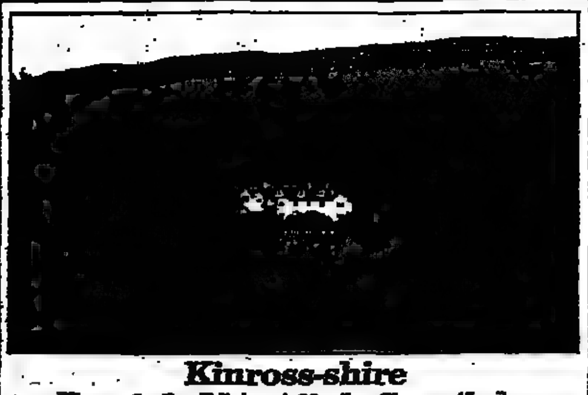

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GARDENING

Landscaped decay

John Dixon Hunt visits 'English' gardens in Austria

RECENTLY the Austrian government arranged a gathering of international garden historians at Eisenstadt to consider the fate of some of its landscape gardens, created in the "English style".

Though other Landschaftsgarten are in danger the most immediately threatened is the one which lay outside the walls of the Schloss Esterházy in Eisenstadt, south of Vienna in eastern Austria, where the conference met.

The Esterházy family open their castle to the public and the provincial government of Burgenland maintains it. But they are, alas, far less concerned about the surrounding park. It is sliced in two and in bad shape. The area to the rear of the castle and for about 300m into the park is retained by the family and closed to visitors.

Beyond is a meadowland circled with trees which was fenced off by the last Prince Esterházy, who felt intruded upon by visitors to the park – he was physically attacked by one – and decided to keep this small section for himself.

To enter the main, much larger, segment of the park you have to leave the castle and find the public entrance up a side road. The town leases this part of the park from the family at a very modest rent, and it is clearly a very popular amenity and pleasure ground both with locals and with the many thousands of tourists who visit the area. The problem, though, is that the family, having set a peppercorn rent, considers the town responsible for the park's upkeep. But what must be done is far beyond municipal resources.

The great feature of the site is a circular temple perched above a miniature gorge. The temple is bulkier and heavier than the Temple of Ancient Virtue at Stowe; like Stowe's it copies the so-called Temple of the Sybil at Tivoli, but unlike Stowe's it also recreates the Aniene Gorge through which the river at Tivoli used to rush. It is a dramatic and exciting moment, eloquent testimony to the yearning for the Italian south of much northern romanticism. But it is in dire need of stabilising and repair. Furthermore, it should be seen first from the castle terrace; but the late Prince's division of the park and the trees and undergrowth that now mark his fence obscure the vista.

Paths lead through fine woodland, though this too needs care and attention; vistas and glades also need reinstatement. The paths eventually lead visitors back to either a public stadium (intruded into the park some time ago and well masked by trees) or the old baroque glasshouses on their terraced site behind the town. It is a site rich in natural and cultural resources.

The problem is how to reunite the park, stabilise the woodland, restore the temple and gorge to their former glory and yet allow public access while preserving (if that is indeed necessary for absentee owners) private space.

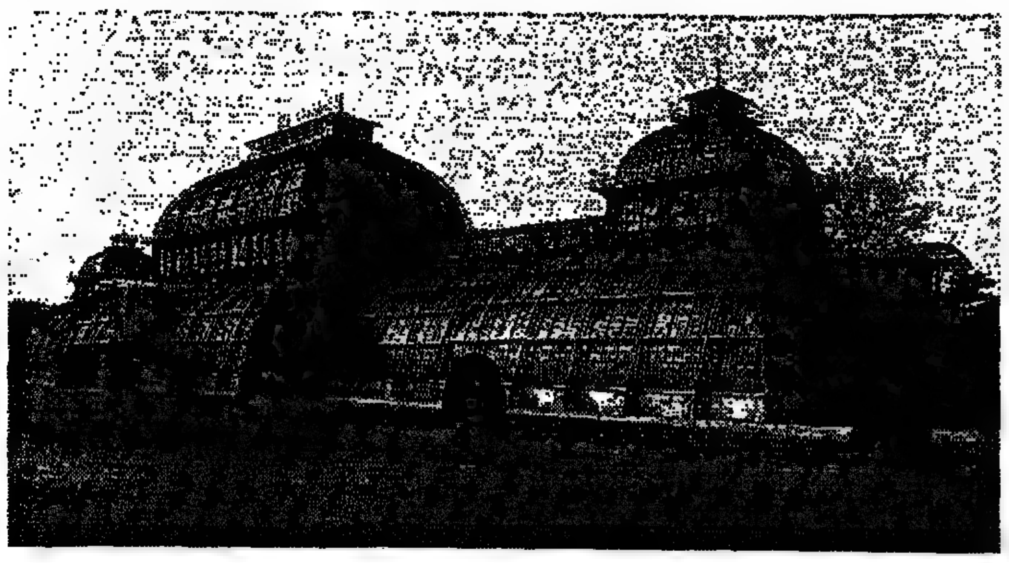
The town of Eisenstadt has an energetic Friends of the Park society, but the main need is to foster a sense of responsibility in the Zurich-based Esterha'zys. The Esterházy fortune is not as large as it was, but enough remains for many to feel that some help with the park's restoration would be an easy, as well as a much-applauded, gesture.

Austria's public gardens are also under threat, for reasons which we know in England as "privatisation". Three government ministries own Schönbrunn an early eighteenth century palace in Heitzing, a suburb of Vienna, and they now propose to sell the park and gardens to a private company to develop as it sees fit.

This means, of course, charging entry fees and running it for profit: already the popular zoo wants a bigger slice of the gardens, while the gardens themselves are threatened with conversion into a Hapsburg Theme Park. Needless to say, any attempt to preserve some kind of historical garden layout near the palace, or to extend the admirable restoration programme which has reclaimed the splendid hothouses further away, will falter before the needs of a commercially-run site.

The connection between the two problems – Eisenstadt and Schönbrunn – is not hard to fathom. Nor are they unfamiliar to any country which must invoke a sometimes awkward combination of private and public resources to save its cultural heritage.

Whatever style of garden is at stake (and the "Englishing" of European estates in the 19th century was an important cultural event, perhaps not least for its adaptability to communal use at Eisenstadt), neither public nor private responsibilities are being clearly fulfilled. Yet if public bodies so neglect their cultural duties, as is threatened at Schönbrunn, should there be any surprise if the Esterházy family carries on neglecting theirs on sites such as Eisenstadt?



Glass glory: restored hothouses at Schönbrunn where landscaped gardens are under threat

Geraniums: do genes matter?

FOR THE first time I have found self-sown pelargonium seedlings growing outdoors in my garden. I use the botanical name rather than the popular "bedding geranium" tag to make plain that I am *not* writing about hardy geraniums, many of which produce self sown seedlings regularly – at least one of them, Geranium sylvestris, so freely that it has become a weed in my garden, welcome in reasonable numbers but needing to be kept strictly under control.

The bedding geraniums, all derived primarily from a single South African species named Pelargonium zonale, are a different matter. They do produce seed freely but – either because it ripens too late or the conditions are not right – I have never previously seen it germinate outdoors.

I am not sure whether to attribute this self seeding to the exceptional warmth and sunshine of July and August, or to the fact that the seedlings have appeared around a couple of plants of one of the new multi-flowered F1 hybrid geraniums, which are bred to be grown from seeds and so must be selected for good and easy germination.

Maybe this is part of the explanation. Perhaps many other gardeners growing these new varieties are also finding unexpected seedlings this year and are as pleased and puzzled as I am and are also considering what to do about it.

I know the view of the specialists, those people who have been responsible for the remarkable feat of changing the bedding geranium market from one solely dependent on plants propagated from cuttings to the present market based largely on seed-raised plants. "Throw these second generation seedlings away," they would say, "they are mongrels that will be worthless, since F1 hybrids will not come true to type in succeeding generations but will break up to reveal the multiplicity of genes which have been combined so cleverly and accurately in them."

This is broadly but not completely true and I am curious to see what these genes, when recombined in new ways, will actually produce. Maybe they will give me an inkling as to wether there is any truth in the suggestion that species other than Geranium zonale have been used in the production of some of the new multi-flowered varieties.

Anyway, my seven little seedlings are now growing, each in its own small pot, in my greenhouse and I will continue to search the garden for any more to add to the collection. I shall expect some surprises when they come into flower next year but my guess is that most of them will not be so very different from their parents, despite what the experts say. There is a tendency to exaggerate the recombination of characteristics that can take place in a single generation and I notice that commercial flower seed growers are showing increasing interest in what are known as F2 strains.

F1 is an abbreviation for "first filial", meaning the first generation of a cross between two individual plants or two true breeding strains. All fertilisation, the transfer of pollen from the selected male variety to the chosen female, must usually be done by hand, or other secure means must be taken to ensure that no other fertilisation takes place.

On a large scale this is very costly, so F1 seed is expensive. F2 seed, meaning second generation seed, is obtained by planting F1 seedlings and leaving them to be fertilised with their own pollen through the natural agency of insects and wind, just as my geraniums have been fertilised this summer in the garden. It costs no more than the production of open pollenated seeds, the seed crop can be vastly greater than that of the preceding year and the price of the seed is correspondingly lower.

Results in quality and uniformity are sometimes so disappointing that it is not worth doing, but not always so. The F1 flower strains that are actually marketed are usually very good; maybe not quite of the same uniformity as the best F1 strains, but does that really matter? For many purposes I think not; indeed my own preference is often for varieties that do show a little variation. I do not mind if the yellows are not all of exactly the same shade, the pinks spread out a little within reasonable limits and so on, provided they all blend well together.

It was necessary for plant breeders to achieve the almost miraculous uniformity of the best F1 hybrid flowers to tempt gardeners away from the complete uniformity of the vegetatively propagated plants to which they were accustomed. The elaborate Victorian and Edwardian colour displays were, to a considerable degree, dependent on this uniformity and these traditions are still maintained in many public gardens. I doubt whether home gardeners are so concerned and for them the slightly more variable F2 varieties could be more attractive and a good deal cheaper.

Arthur Hellyer

Conservation on a small scale

Bridget Bloom meets the Major, a farmer who cares about details

CONSERVATION IN the countryside is essentially a very small scale activity – or at least that was how it struck me the other day on a visit to a nearby farmer who has just won a conservation award.

David Elliot, well over six foot tall, and known to everyone as the Major, farms 330 acres with his son Andrew on the Surrey/Sussex border. He came first in last year's Surrey Farming and Wildlife award and this summer was placed fourth in the prestigious nationwide Silver Lapwing award, which is jointly organised for Country Life by the Farming and Wildlife Trust.

For those who think of Surrey as little more than suburbia and stockbrokers and their connecting motorways, the area where the Elliots farm might come as a shock – the gently undulating, well wooded and watered farmlands, with views of the distant North Downs, are full of lovely walks and peace and quiet.

The Elliots' rambling old farmhouse sits in pleasantly landscaped parkland, yet it's not landscaping as such that seems to preoccupy the Major, so much as the small things that make it up: that pond over there which needs digging out, that ditch cleaning, that weed or those hazel trees removing, because they poison the soil or absorb too much light for the springtime bluebells.

Landscape is of course composed of such detail but it's quite salutary to remember, as you stride or stroll through a lovely stretch of country, that, more likely than not, someone has given as much thought to a single tree as they have to a hillside wood, or as much to the width of the verge as they have to the shape of a field.

Farmers have taken a good deal of stick in recent years for despoiling the English countryside but the amount of beauty in it still is testimony to the environmental concern of many landowners. Conservation awards are one way of recognising that concern – a concern the Government's Environment White Paper wants to encourage.

The Elliots won their award for having practised conservation "within the constraints of successful commercial farming". They grow cereals and potatoes and, to make up for the declining revenues from farming, their farmyard, once home to a pedigree pig herd, now includes a horse feed and saddlery business.

The Elliots have been helped in their conservation efforts by the Farming and Wildlife Advisory Trust, a partly Government funded body which aims to have at least one professional adviser on conservation in each county within the next four years.

Helen Simonson is the young adviser who has helped the Elliots. She is funded by the Surrey FWAG, as the 45 other advisers are funded by their county organisations. While 50 per cent of the FWAG's total budget of some £800,000 a year comes from the Government, in each county Local Authorities contribute about 10 per cent with 40 per cent coming from farmers and landowners themselves.

Mark Thomasin-Foster, chairman of the council of the trust, is clearly hoping for a boost in his funds following the Environment White Paper, but is also planning his own campaign this autumn. He is to try to winkle commitments of an extra £200,000 a year out of industry, which he reckons will pay for another 10 conservation advisers. This seems quite cheap at the price.

However, Thomasin-Foster makes the point that while people do still tend to see conservation in terms of small scale activities – "of ditches and ponds and nesting boxes for birds" – what really matters now, he says, is that farmers should have conservation management plans for the whole of their farm. "That is the way we'll get a real and lasting commitment to conservation."

LONDON PROPERTY

A familiar figure in Portugal

READERS familiar with the London residential market may recall the name of George Knight, who for 25 years offered property, mostly for letting, from his offices in Hampstead, Knightsbridge and the West End.

Three years ago the name disappeared from the property sections of newspapers when Knight sold his UK business. But readers visiting Portugal since then, and flipping through the pages of glossy magazines in their hotel bedrooms, might have noticed the advertisements of George Knight Limited, International Real Estate Agents, and wondered . . .

Yes, it is the same company. Knight says he had been selling property in Portugal since 1982 "with increasing success" and after his UK business sale the logical thing was to emigrate and reinvest in expansion.

He now heads one of the principal estate agencies in Lisbon (793-17-01) and has just opened what is to be the company's main office, in Estoril. *An office in Oporto will follow.*

Although much involved in the commercial sector (the agency sold the General Motors complex in Lisbon last year for around £5.5m) it handles residential property in Lisbon and along the Estoril coast. But there is not much on its lists under £100,000.

There are changes ahead. From the end of the year Knight is handing over to his managing director Eric van Leuven. Knight is going into another sphere, but will remain involved, as a consultant.

By May he hopes to have opened a water sports centre on Albufeira de Castela de Bode, Portugal's largest lake. Here, apart from what he believes should be its local appeal, courses will be offered in activities such as sailing and water-skiing. He hopes these will attract not only groups from schools and colleges but also corporations.

This is to be followed in 1992 by a further project ten miles away, on the River Isna – a holiday adventure centre and sports complex with accommodation for 60 visitors and a range of additional courses. When it is established Knight believes people may want to have holiday homes in the vicinity and has bought land for such development.

The organisation has not been plain sailing. As an example of the *difficulties* one *must* be prepared to face when starting up overseas, Knight says: "Trying to get this project working has taken nearly three years, partly because of the complex Portuguese bureaucratic process and partly because we had to trace the owners of nearly 50 small pieces of land, most of which were unregistered. In one case we actually traced an owner who was living in a tree."

Typical of the type of property available through Knight's Lisbon office is a low, white, pink-roofed villa, approached by a broad flight of shallow steps and set in a mature garden. It looks out over Sintra, has three bedrooms and swimming pool and costs £320,000.

An L-shaped bungalow at Malveira da Serra has three en suite bedrooms, staff accommodation separate guest apartment and a swimming pool (£506,000). A detached family house in grounds at Estoril is on three floors, on a sloping site. Two of the three en suite bedrooms open on to a terrace. There is staff accommodation and three-car garaging (£545,000).

Sophisticated security comes with air-conditioned hillside apartments *in Lisbon,* which look *across* the River Tagus. The latest technology provides a comprehensive communications and protection system.

Audrey Powell

French without fears

BEWARE the wily Parisian – and don't believe anyone who says you can't be gazumped in France.

Robert Thompson, an English solicitor who is based in Hythe, Kent, and is the French consular representative in Dover, has been handling cross-Channel legal work for more than 20 years. In spite of what many believe, it is quite possible to be gazumped when trying to buy French property, he says – if your rival is prepared to pay what it costs.

In one case his clients – three British men who consulted him after signing the contract – were buying a cottage in Normandy for £35,000 from a French couple. The trio had put their money down and were ready for completion when a message came from the notary saying that the vendors had taken advantage of provisions in the contract allowing them to pay a penalty and drop out of the deal.

A buyer from Paris wanted the place and had made an offer well above the sum the vendors had accepted. Presumably he also promised to pay the vendors' expenses and the 10 per cent penalty (£3,500), plus notarial fees (£2,100) for which the vendors had been liable. But he still thought the property worth it.

This, says Thompson, could have been avoided if a specific clause had been inserted in the contract. This is a "restriction on himself by the vendor" clause and the literal translation is: "The vendor forbids himself and this up to the signing of the conveyance, from transferring to any other person than the purchaser the property sold, whatever may be the advantages which he might gain from this. The purchaser reserves to himself the right to seek before the courts the cancellation of any deeds made in violation of this present contract."

The unfortunate contract simply said that in case of non-completion there was a penalty of 10 per cent either way.

A P

French fairytale: A thatched cottage near Pont Audemer in *Normandy,* which is priced at £49,500. The agents are Normandy Cottages in London (071-381-4433)

Open house at last on the Greek islands

Audrey Powell on how Greece has liberalised its property laws

GREECE, after a long period of uncertainty, has bowed to EC pressure and agreed to relax its rules barring foreigners from owning land and property in defence-sensitive areas.

Under the Treaty of Rome there should be no discrimination on grounds of nationality between member states (except where agreed by the EC), and this applies to property ownership. But Greece, while allowing foreigners to buy in certain areas, refused to permit any purchases close to its borders; in the Dodecanese islands, which are near the Turkish coast; or in Crete *or Corfu – although the regulations* were sometimes circumvented.

Greece became a full member of the Community in 1981. Now it has made some concessions to its fellow members.

The text of this law has recently been published and a summarised translation – by City of London solicitor John Zacharias and Greek property specialist Robert Comins – shows how Greece has attempted to fall into line with EC rules.

The laws date from the '20s when Greece was particularly wary of its neighbours Italy, Bulgaria and Turkey. Under the first part of the legislation Corfu, Baxos, Kefallinia and small parts of Crete have been dropped from the list of border areas. Non-Greek nationals, whether or not from EC countries, *can buy or sell property in these* "old" border areas.

The second section of the legislation redefines the rules relating to the remaining border areas. These comprise the islands of Samos, Chios, Lesbos, Skyros, Santorini, the majority of Crete, Rhodes, Kos and the rest of the Dodecanese and parts of the northern mainland.

The radical change will be the freedom to purchase, granted to EC nationals, provided they first obtain permission from special committees. Nationals of non-EC countries are also allowed to purchase, provided they obtain a licence direct from the Ministry of Defence.

The irony, says Comins, is that Greeks now require official sanction to purchase in these areas of their own country.

Comins sounds a note of caution for purchasers in those parts still designated border areas: beware of properties owned by non-Greeks through the medium of shares.

This was a common method used to circumvent the prohibitions to foreign property ownership. Under the new legislation, permission must be obtained to transfer such company shares. Any transfer without permission is null and void and those involved could be liable to prosecution.

British international estate agents will be watching to see how UK second-home seekers react to the greater freedom to buy in Greece, with its 2,000 islands, 15,000 km of coastline and many *uncrowded beaches.*

There are two schools of thought. The first is that people are tired of Spain and Portugal and are travelling further for their holidays, so when the British have spare money again and can think of second homes, Greece could be the next big overseas market.

The second school believes that the longer flight – three and a half hours from London to Athens – and the extra journey to the islands, together with higher fares, will discourage regular visits to a holiday home. Greek property prices are not that low, either. They range from £10,000 for a studio to £2,250,000 for a waterside villa.

Elise Knapp, managing director of Sotheby's International Realty, for Greece, based in Athens, says that the company has £7m worth of homes available and that it was "quite exciting" that it could now offer property in Corfu. The island has always been popular with the British, and it was a British protectorate during the 19th century.

Taking island settings, Sotheby's has a converted windmill on a hilltop at Kea (two hours by car and ferry from Athens). The ground floor of the tower makes a large living area. There are four bedrooms in the floors above and a wing. It is available furnished at £450,000.

The same figure buys a five bedroom villa on a green hillside in Paxi. Its terraces look across the sea to Corfu, which can be reached by boat-taxi. Steps lead down to a clear sea. The island is covered in a forest of olive and pine trees interlaced with ancient stone walls.

On Antiparos is a seven year old house and guest cottage in 12,300 sq metres of waterside land. There are gardens of flowering shrubs, with fruit trees and a vineyard. The six-bedroom property, surrounded by vine-covered pergolas, has a swimming pool and its own well, boat *house and dock,* and costs £525,000. There are several daily flights from Athens to the neighbouring island of Paros, a five minute ferry crossing away.

On the mainland, on the sea below the Athens-Sounion road, is a 300 sq metre villa and staff house, with gardens and steps to the swimming area. It stands in 18,000 sq metres of land and there is a further 12,000 sq metres above the road, on which building would be allowed. The price is £2,250,000.

The agency also has apartments in the heart of the Athens, including one between the presidential residence and the national garden which occupies an entire floor of 700 sq metres and is priced at £900,000.

There is a penthouse next to Mount Lycabettus in central Athens which "offers the ultimate in panoramic views over the city." This is on two floors; one has living and dining rooms, terraces, four en suite bedrooms and staff accommodation, above is a floor for entertaining on the huge roof terrace. Price £1.2m. (Sotheby's London 071-493-8080, or Athens 361-5450).

London-based Spratley & Co has a selection of a different type of properties in Greece, a market it has handled for 12 years. Spratley limits its register to properties within two and a half hours of Athens airport – for example, a five bedroom hilltop villa on the holiday island of Spetses for £140,000.

This range takes in the old town of Nafplion, with its harbour lined with waterfront restaurants, its narrow streets and picturesque main square. The company suggests this as a year-round place for a retirement home and has a list of suitable resales. On the other hand, Tolon, a fishing village and resort, has a strong letting market and is recommended for those buying for investment.

Three villas are also being built in a village near Porto Heli, and each will have enough ground for a swimming pool included in the price of £93,000. Spratley also has studios at Porto Heli for under £10,000, furnished.

In the UK there are a number of small agencies offering property in Greece, but you will have to look hard to find them.

Sporades Properties, in Winchcombe, Gloucestershire. (0242-603747) specialises in the northern Sporades islands. The company has properties for renovation on Alonnisos and Skopelos, for about £25,000 but needing £30,000 spent on them, and also plots on which it can arrange for a property to be built for about the same total price.

The agency grew out of its sister travel firm; people taking holidays on the islands wanted to buy. The two complement each other: owners can let through the travel firm and also arrange visits to their properties.

Bushell & Co in Thurlestone, Devon (0548-560370) has several offices in Greece. The company's owner divides his time between Greece and the UK and reports plenty of property for sale and a fair demand.

On Andros, in the Cyclades group, Bushell can offer a well-restored farmhouse, in its own land with sea views, for £110,000. This is an up-market island, popular with shipping owners, 90 minutes by ferry from Rafina on the mainland. Bushell also has some small commercial properties on its register, such as a working citrus fruit farm with house and packing shed and 1,000 trees – £100,000.

Babet, in Godalming, Surrey (04868-28523) has properties in the Peloponnese, the most southerly part of the Greek mainland.

It has a new development of 17 one to three bedroom apartments in the centre of Tolon, close to the sea. There is extensive use of marble flooring and wood for ceilings. Prices range from £22,500 to £68,000. There will be a second phase later, with a swimming pool.

Robert Comins in Saffron Walden, Essex (0799-516660) concentrates on two coastal areas of the Peloponnese, one around Kalamata and the other taking in the harbour town of Palaia Epidavros. He has new houses from £42,500; a resale bungalow belonging to a Sussex couple, £69,500; and a village house adjoining a beach, £125,000.

Owen Emmett of Whiteway Properties in Knaresborough, North Yorkshire (0423-865892), another specialist Greek agency, has property on the island of Zakinthos below Corfu and on Evia, the long narrow island to the east of Athens, where he feels "sensible" prices are being asked – £15,000 to £20,000 for houses needing restoration. For a different market there is a stone-built house under construction near Mount Parnassus, sleeping four and close to a skiing area, priced at £110,000.

Emmett believes there is considerable interest in Greece "bottled up" in Britain.

"I have high hopes of it," he says. "There will be a boom, without a doubt."

PROPERTY

Energy savings = cash savings

***John Brennan** on ways to conserve power and help the environment*

THE GOVERNMENT would like you to lag your hot water tank and increase the depth of insulation in your loft. There are a few more household energy-saving tips in the 290 pages that make up the white paper on green issues. But anyone spending £25.50 on *This Common Inheritance*, " Britain's environmental strategy", will look in vain for much more than a call to "do-it-yourself" to conserve energy and help reverse the impact of global warming.

"No, there isn't a lot on existing housing," says the Department of the Environment. "Yet, as the white paper confirms, "heating, lighting and electrical appliances in houses and other buildings account for nearly half of Britain's total energy use."

So far as specific waste-saving measures are concerned, a quarter of the £3.5bn spent each year on upgrading the worst local authority housing is already spent on work that improves energy efficiency. In future, councils are to be encouraged to bring forward energy improvement schemes in their bids for central government funding.

Discussions with housing associations are intended to lead to a more efficient use of energy in existing housing stock. At the same time the new means-tested renovation grants system, introduced in July this year, enables local authorities to provide limited grants for insulation and heating improvements to private homeowners.The Energy Efficiency Office is to introduce a supplementary grants scheme for lower-income households to back its drive to have more pipes lagged.

The major energy efficiency move on housing rests on revised building regulations which, from April this year, have included higher thermal insulation standards for new homes in England and Wales. The equivalent standards for Scotland are still under review.

There may be little direct government action to cut energy loss but, as its *Common Inheritance* title suggests, the white paper is full of arguments and advice aimed at making home ownership more environmentally friendly.

Around half of the 20m tonnes of household waste binned each year could be recycled, but only about 5 per cent is currently sorted and treated for re-use. By the end of the century the government hopes to see that proportion rise to 25 per cent by creating a cash credits system for local authorities to make recycling more profitable.

So far as *ad hoc* refuse is concerned the Environmental Protection Bill that is intended to emerge from the discussions on the white paper would boost fines for litter and enable individuals to apply for a litter abatement order against their own council if it fails to have the streets swept properly.

Noise pollution is tackled with proposed new powers to the Department of Transport to offer secondary glazing to homeowners near road-widening and improvement schemes

Planning policy is to reflect environmental priorities

and to extend that to homes near new rail lines. There would also be clearer and wider guidelines for home owners' compensation for nuisance caused by noise, and further revisions to the building regulations may extend noise insulation standards for new homes to conversions.

The building regulations are also being reviewed to look more closely at ventilation. Since an estimated 3.5m homes in Britain are affected by damp, the white paper points out that local authorities already have a statutory duty to mark out homes that are unfit for habitation and provide mandatory grants for improvements – subject to a means test on the applicants.

For the future, land use and planning policy is to be framed to reflect environmental priorities which extend from a streamlining of the decision-making process on development applications to possible extensions of controls to cover satellite dishes. The white paper accepts that there will be a continuing and substantial demand for new housing in most parts of the country well into the next century. While commenting "that it is right for local communities to decide themselves where new homes should be built . . ." the paper does argue that communities cannot expect to resist all development.

The not-in-my-backyard lobby can take comfort from the thesis that: "Land in urban areas should be used to meet as much as possible of the demand for sites for new housing."

Before urban dwellers brace themselves for another round of lost open spaces and back gardens, the white paper manages to make a partial U-turn within a column of text by its concern "to ensure that over-intensive infilling and redevelopment – sometimes called town cramming – does not destroy the character of attractive residential areas."

One trusts that people who live in unattractive residential areas don't spend £24.50 on recyclable white papers or they might find that an environmentally unfriendly comment.

However, while Environment Minister Chris Patten proved himself to be sharply less enthusiastic about private sector new town schemes, in white paper language he is keener on new villages.

Housebuilders and developers have every reason to welcome the white paper since it underlines the "green premium" that can be accorded to new homes. Wider use of home energy efficiency ratings as part of a property's pedigree would further distance new from old in terms of running costs, and in terms of how environmentally friendly they are.

On energy use there is obvious scope to further improve standards. At Milton Keynes energy park, where some 650 energy-efficient homes have now been completed by 32 different developers since the Development Corporation set out to promote less wasteful new homes in 1985, nine in ten of the houses have U values of 0.45 compared to the new Building Regulations standard of 0.6. The U value measures heat loss through the walls, floor and roof and the lower the number the better the insulation.

In this instance the homes that developers have consciously set out to make more energy efficient are a good third better at keeping the heat in and the cold out than homes completed to the new national housing standard.

The difference is a matter of cost. Wimpey's experimental Superspec house, with thick polystyrene insulation of walls floors and ceilings, double glazing, weather-stripped door seals and draught-proofed letter boxes uses low energy heating yet costs just £1,500 more than its £90,000, standard-finished equivalent.

Laing Homes has also applied extruded polystyrene insulation, incorporated heat pumps and matched improved ventilation systems to produce a three-bedroom house with a claimed annual domestic heating and hot water cost of £80 – a quarter of the average bill for an equivalent sized home. Here again, that's more of a showcase of what could be done rather than an immediate template for the future. The fact remains that homebuyers are surprisingly indifferent to future savings on running costs and housebuilders find it easier to sell cheaper, less efficient homes than even marginally more expensive properties that have better than average insulation.

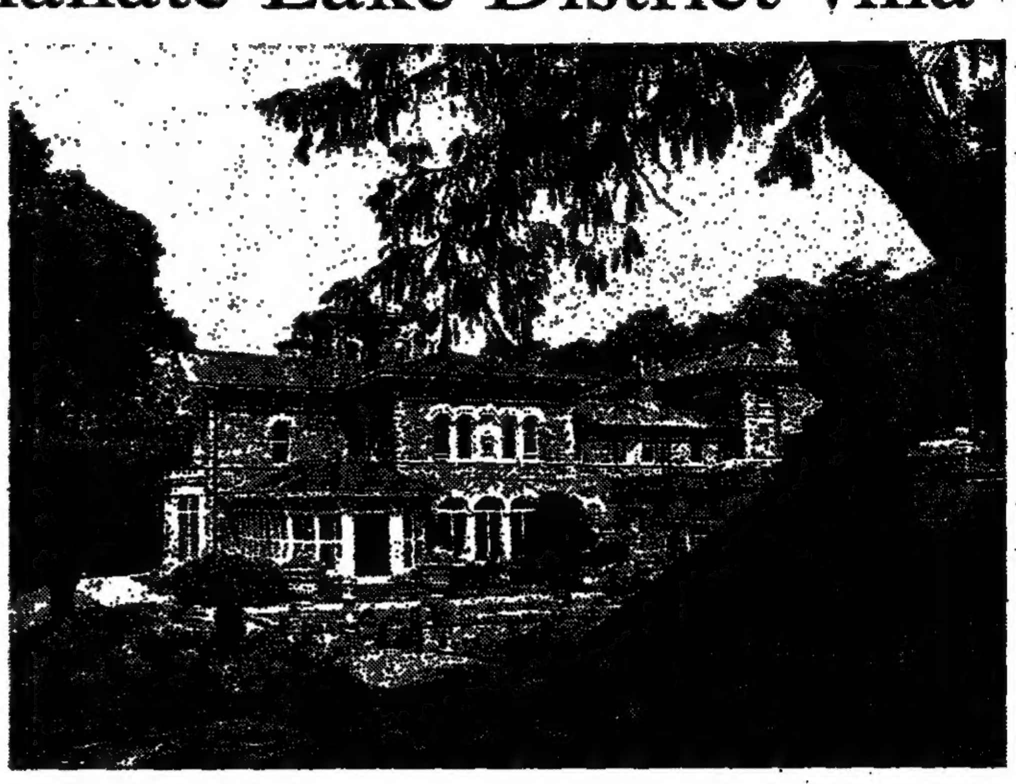
Rising fuel costs should change that attitude. The white paper's checklist on energy savings calls for owners to insulate and draughtproof homes and to seek out the most energy efficient heating boilers and electrical appliances. It also suggests making a point of switching off unused lights and changing to low energy light bulbs as well as fitting timeswitches and thermostats on heaters and turning down the temperature controls.

Translated into practical action, the National Cavity Insulation Association points out that 50 per cent of heat loss in homes goes through the walls. Cavity wall insulation can stop two thirds of that loss "saving around 25 per cent of the annual fuel bill". The cost, according to the association, would be around £300 for a typical centre-terrace house, a semi-detached house would cost £400 to £500 and a detached house £500 to £600.

The Draught Proofing Advisory Association estimates that only a quarter of the UK's 22m homes have adequate draught-proofing. Drawing on the government figures again, it concludes that £55 spent on proofing would save £15 a year for that notional heat-leaking three-bed semi if it used gas central heating.

Members of the National Association of Loft Insulation Contractors also have their views on energy saving. For a cost estimated at between £250 and £300, for the average-sized loft, a contractor can upgrade an existing house's insulation to the minimum thickness required under the new building regulations.

An Italianate Lake District villa



IT'S EASY to see why the local planners do not regard Underscar House as a typical Lake District property. This vast Italianate villa, built in the mid-19th century by Liverpool's William Oxley, is characteristic of the lavish summer homes built when the lakes were discovered by Victorian tourists.

Without any historic listing to bar change, the house, set in 40 acres of national parkland at Applethwaite, just north of Keswick, had been used as a 12-bedroom hotel for much of the last 20 years. It is rather too small as an operating unit for the current owners, the Scottish & Newcastle brewery group, which has instructed the Carlisle office of Cluttons (0228-74792) to find a buyer for around £750,000.

The planners may not consider it appropriate to list Underscar, but the fierce restrictions on development in national parkland ensure that no one would be allowed to build anything approaching a home of this size today, or spoil its view.

Five receptions and 12 bedrooms, each with its own bathroom, and a coach house and outbuildings as well as a walled garden where planning had been granted for 20 to 25 small apartments when the hoteliers were thinking of adding a timeshare element to the business, add up to one of the most substantial properties to come onto the market in Cumbria this year.

The stone-built house is certain to attract the attention of business buyers, especially now that the lakes attract visitors pretty well all year around.

But, "it wouldn't take that much to turn it back into a remarkable private house," says Cluttons' Ann Graham. She confirms the steady interest in homes of that size near the Lakes.

"Over the past year we have sold one or two big houses and £1m is not a rarity for the area; to get over that you'd probably have to struggle, but up to £1m or so there are people around who love the area and who do want a big place."

Underscar passes the "bigness" test with ease. As it stands some 20 miles from the nearest junction of the M6, it passes the access test as well.

As for the outlook, the house is built on high ground with views over Derwent Water to Borrowdale. It confirms the old truth that the first wave of builders picked the best sites and planning restrictions ensure the sites stay that way.

J.B.

Burglar Bill's favourite magazine reading

BURGLARS are reputed to love property magazines. There, attractively displayed, are pages of advertisements showing homes whose otherwise security-conscious owners are keen to attract a long queue of unknown visitors.

Once a property is on the market, owners have to put a fair amount of faith in their agent's ability to weed out those with striped jumpers and swag bags from genuine prospective buyers.

Tales of mislaid house keys, of unaccompanied visits and of sales particulars turning up in recovered contents' hauls, are reason enough to be sure to ask a few questions about the approach shown by prospective sales agents' to their task.

The National Association of Estate Agents recently advised its members on procedures to help protect agencies' own staff when attending viewings.

A number of those checks provide a reasonable starting base for protecting both agency staff and their clients' homes from bogus viewers.

One of the points that the association reminds its members to do is to record the name, address and telephone number of callers asking for an appointment at a property. The association also recommends that staff redial the number given to confirm its authenticity.

Confidence in the agents' vetting system is one thing, but in a year when breaking and entering has topped the growth table of crime statistics – with an 18 per cent increase in reported burglaries in the first quarter of 1990 – the fact that 25 per cent of households still have no contents' insurance is remarkable.

That is the estimate from the Association of British Insurers the members of which provide most domestic insurance cover.One in four British households faces up to the possibility of burglaries and household flood and fire damage with little more than crossed fingers.

J.B.

LONDON PROPERTY

OAKMERE HALL COUNTRY ESTATE

Arguably the premier development of its kind in the North West, set in 22 acres of green belt offering an unrivalled lifestyle of elegance and quality.

Available now at offers in excess of £550,000 is the breathtaking Manor House, set in its own 2 acres within the grounds of Oakmere Hall. This 4/5 bedroom residence offers the ultimate in design and specification.

The Hall itself, an impressive gothic Grade 2 listed building is being internally redesigned to create 13 distinctive apartments while its supporting gate lodges are being converted into 2 highly individual homes.

The Courtyard comprises 8 delightful mews cottages to complete this exclusive development.

All residents enjoy the benefits of the extensive landscaped grounds, exclusive leisure facilities, including fishing in the mere, indoor swimming pool, gymnasium, solarium and tennis courts.

Located mid-way between Knutsford and Chester the Oakmere Country Estate offers total seclusion yet remains within easy access of the commercial centres of the NW and Manchester Airport. Situated off the A556 Manchester to Chester road, just west of the A556/A49 junction.

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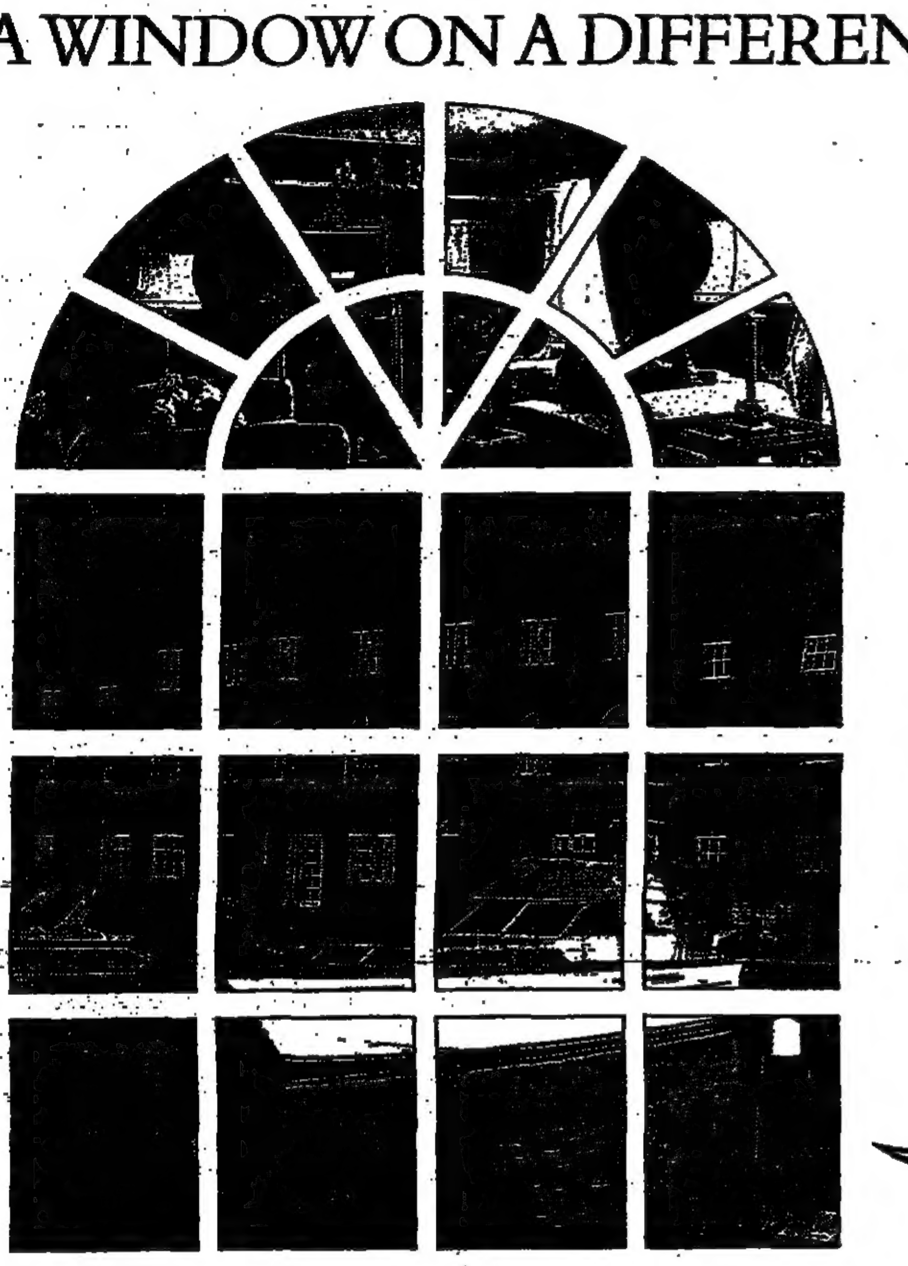

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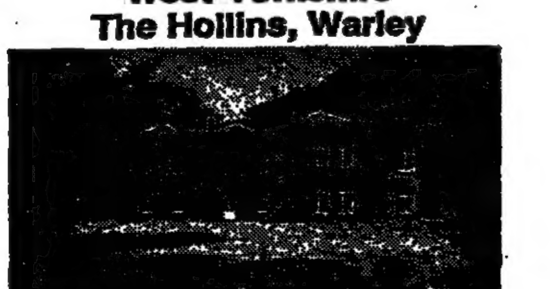

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Good Value - offers
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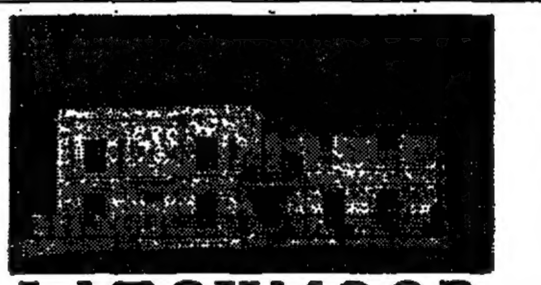

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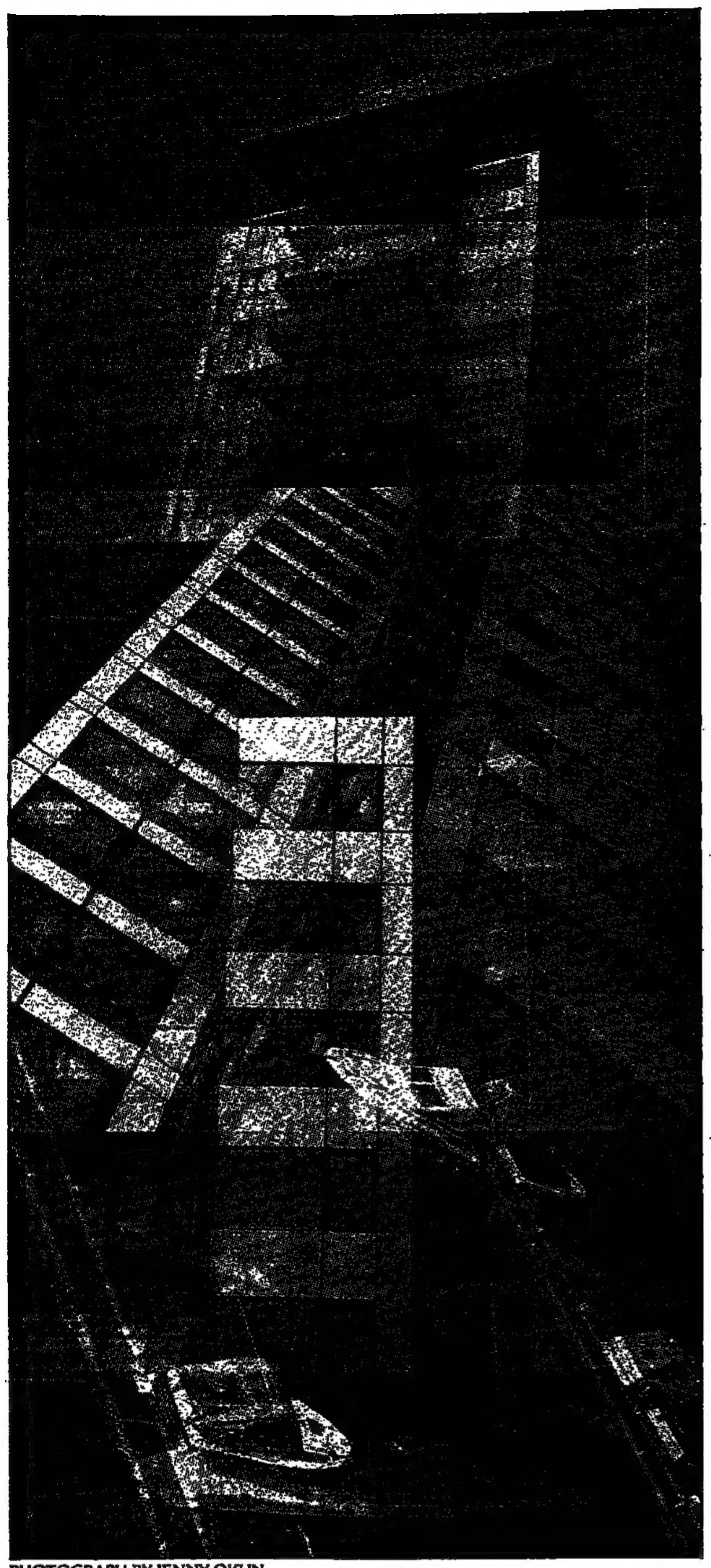

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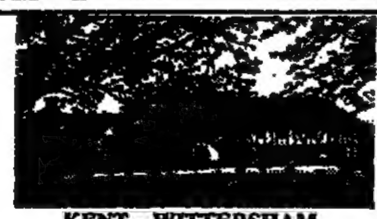

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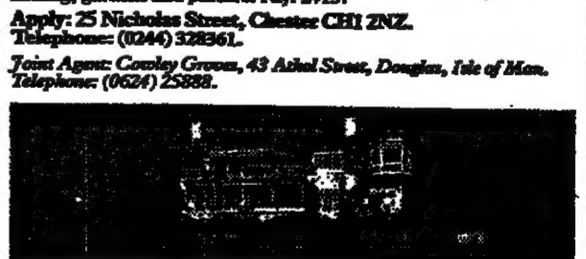
Joint Agent: Cowley Groves, 43 Athol Street, Douglas, Isle of Man. Telephone: (0624) 25888.



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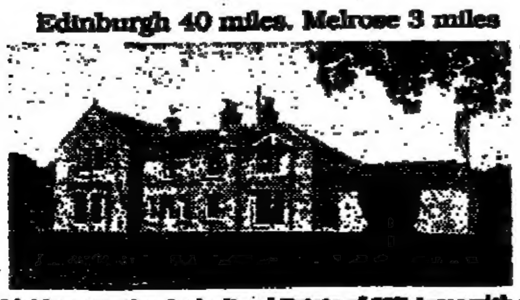

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